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Stay, Switch or Back - Evaluating the IT Sourcing Cycle

Nicholas Paul Butler

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ABSTRACT

IT outsourcing has been a rich source for discussion since the landmark deal between Kodak and IBM in July 1989, being seen by many as the agreement that started outsourcing being perceived by companies as a serious strategic choice. With agreements generally signed for between 5 and 10 years, the research looks at what happens when an outsourcing agreement ends, either early or at contract end.

The research looks at IT sourcing strategies within UK private organisations using mixed-methods research, a qualitative case study and a qualitative survey. Two frameworks were developed to facilitate the research, the IT Sourcing Cycle and the IT Functions & Systems Diamond. The Service Dynamics (SERVDYN) instrument was also created to gauge factors relating to service performance, quality and relationship in the IT sourcing decision.

The Case Study, with data collected via semi-structured interviews and supporting documentation, seemed to show results different from the perception of backsourcing in previous studies (McLaughlin & Peppard 2006, Veltri et al 2008). It was clear that although the stated reasons for the decision were largely the same for outsourcing and backsourcing, they only appeared to tell part of the story. The Transition stage of the IT Sourcing Cycle proved the most revealing, with the implications for practise going further than had been previously found via secondary research.

The survey was sent to 794 larger private UK companies, of which 69 responded. The survey instrument was designed to collect the views of respondents of various reasons, benefits etc. for those with different IT sourcing strategies; in-house, outsourced, switched vendors or backsourced.

The research findings seem to suggest that although common reasons were given for the various sourcing options taken, there were other forces at work during the decision phase. Although service and relationship quality appear to play a part in the decision phase of the IT sourcing cycle, further research is required to ascertain if it provides a significant input to trigger the movement from Operation to Decision phase of the IT Sourcing Cycle.

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Most importantly, I want to thank my wife, Lorraine and my son Michael. Without Lorraine, I could not have finished this degree. Her understanding, encouragement and undoubting faith were fundamental to the successful completion of this work.

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1 Introduction

This Chapter summarizes the background to the research presented in this thesis and explains the focus of the research; it looks specifically at the relevance of the research to the current body of literature. The research aim and objectives are detailed, along with the research approach taken and the thesis deliverables. Finally, the structure of the thesis is presented as a guide to the body of work.

1.1 The Research Domain

Much has been written about the sourcing of Information Technology (IT) over the last 40 years or so and the multiple approaches that can be taken. Over the last 15-20 years, much of the focus within publications has been on outsourcing. However, Deloitte (2005) in a survey of 25 major companies in the United States found that 1 in 4 companies brought outsourced operations back in-house. So, what makes an organisation review their IT arrangements and what are the options?

1.1.1 First Thoughts

Why is IT important? Raskino (2011) reported that

“On average, business leaders attribute 21% of revenue to the IT capability of their firms.” (p2)

IT outsourcing has been practised by organisations all over the world since the trendsetting agreement between Kodak and IBM in July 1989 (Loh & Venkatraman 1992b). On this basis, organisations that outsource some or all of their IT provision could effectively be handing over the management of up to 21% of their revenue to a third party. What drives organisations to take such actions, and, more importantly, what happens when the agreement ends or is terminated?

McCue (2003) states that the original outsourcing deal between Sainsbury's and Accenture had a value of 17% of Sainsbury's market capitalisation. This leads to investors looking beyond the predicted cost savings toward the fact that it is a huge organisational and cultural change (McCue 2003).

The results of this research would be useful to all senior executives within an organisation, be they within the business or IT arena. It will enable senior executives to review their IT provision in a structured way that will identify those areas of IT that 'add value' to the business as a whole.

1.1.2 Defining IT

Information Technology has been around for a number of years but first came to the attention of the business community because of the article by Leavitt & Whisler (1958). They coined the term 'Information Technology', stating that it consisted of several related parts, including "... techniques for process large amounts of data rapidly, and it is epitomised by a high speed computer", the "... application of statistical and mathematical methods to decision making problems" and "... the simulation of high-order thinking through computer programs." (Leavitt & Whisler 1958, p41)

Defining the meaning of the term Information Technology is somewhat problematic - a search of Google for 'define Information Technology', for example, will give hundreds of different definitions. Carr (2003) defined Information Technology as

"The technologies used for processing, storing and transporting information in digital form." (p10)

This definition seems somewhat passive; there is no mention of who or what creates the information and for what purpose. It also implies that IT does not 'add value'. This point is not surprising, given Carr's stance on IT, a position discussed in more detail in Chapter 2. Porter & Millar (1985) widen the definition slightly,

"Information Technology must be conceived of broadly to encompass the information that businesses create and use as well as a wide spectrum of increasingly convergent and linked technologies that process the information." (p149)

But what of Information Systems? Marcolin & Ross (2005) saw the IS function as

"... characterized by the IT resources that are employed, the IS activities that are performed and the means by which the firm leverages the function toward the achievement of its business goals." (p35)

This seems to be an all-encompassing definition very similar to the definition of Information Technology provided by Porter & Millar (1985), but also extends the

definition of IS to include business related measures. This seemed to get nearer to the idea of IS and IT clearly seeing the two as separate but symbiotic in nature. As a result, a decision was taken to use the term Information Technology (IT) throughout this thesis when referring to the infrastructure and functions carried out by an IT department.

1.2 Aims and Objectives

Hussey & Hussey (1997) define the process of research as

“A systematic and methodical process of enquiry and investigation which increases knowledge.” (p20)

The sourcing of Information Technology services for an organisation and the myriad of possible approaches has been the subject of a great deal of discussion over the last 20 years or so, much of the focus within publications has been on the subject of outsourcing.

1.2.1 Research Aim

The overall aim of the research is to add to the understanding of an organisation's IT sourcing decisions, specifically looking at the areas of outsourcing and back sourcing, with a view to bringing further understanding in the area of back sourcing as an IT phenomenon.

1.2.2 Research Objectives

Having defined the aim of the research, a literature review of the business strategy, change, outsourcing and back sourcing fields were conducted to gain a better understanding of the context of the research and to develop clear research objectives to focus the research. To focus the literature review, the following objectives were set

Objective 1:

To understand why organisations change their IT sourcing strategy and explore the effects of the changes on their provision of IT.

Objective 2:

To explore what is meant by back sourcing within the IT environment.

During the course of the initial stages of the literature review, the following objectives were formalised to focus the research.

Objective 3:

To identify the key strategic and decision-making factors to backsource IT, and to contrast these with the outsourcing process.

Objective 4:

To understand the backsourcing process in comparison with the existing frameworks for IT outsourcing.

Objective 5:

To identify the levels of backsourcing activity within the United Kingdom.

Objective 6:

To understand the IT Sourcing decision process in terms of the decision makers, motives and influences.

1.3 The Research Approach

The literature review covered a number of key themes that re-occur throughout the thesis; business strategy, change and the development of the IT Sourcing Cycle. The research looked at the current literature on IT sourcing, specifically outsourcing and backsourcing. There were two main forms of empirical research; a single case study research carried out within an organisation that had just completed bringing the IT Division back in-house, and a survey of UK organisations focusing on IT Sourcing decisions.

The Case Study provided an outstanding opportunity to study an instance of backsourcing in an organisation that had undergone the backsourcing process. Two main forms of data collection were employed; semi-structured interviews and the gathering of artefacts in the form of documentation created during the backsourcing process (meeting minutes, newsletters and other communications).

The survey was distributed to 794 UK organisations, targeting specifically the senior executive within IT. This was used to evaluate the IT sourcing decision-making process and to establish the volume of organisations taking the decision to backsource some or all of their IT. Further, the survey contained an instrument,

SERVDYN, developed to investigate the importance of service dynamics in the sourcing decision process.

1.4 Thesis Deliverables

This thesis presented the following deliverables as a consequence of the research

1. The IT Sourcing Cycle Model based on the literature review and validated as part of the Case Study. The model was expanded to include key elements at each stage of the cycle.
2. Re-conceptualisation of a model originally proposed by Edwards & Peppard (1997) for business process reengineering, adapted for use to categorise IT functions and systems as either strategic or commodity.
3. A contribution to knowledge based on the detailed study of the backsourcing process within a large organisation, with insights for practice and future implementation. This specifically targets the Transition phase of the IT Sourcing Cycle.
4. The construction of SERVDYN, a tool for use in the forecasting of the decision likely to be taken at the end of an outsourcing agreement based on current vendor performance.

1.5 Thesis Structure

The thesis revolves around a number of key themes in IT sourcing. These are highlighted in Figure 1.1. The thesis has been structured in seven further chapters, as follows.

Chapter 2 IT Sourcing - Strategy, Change and Options

This Chapter reviews the influence of business and IT strategy and change on IT sourcing and, specifically, outsourcing. The definitions of insourcing are explored, resulting in a typology of insourcing (subsequently referred to as backsourcing). It examines the concept of “IT as Commodity” verses “IT as Strategic” and how this might influence the manner in which an outsourcing agreement is managed. The concept of the IT Strategic Diamond is then introduced as a framework for categorising the significance of IT functions and systems within an organisation.

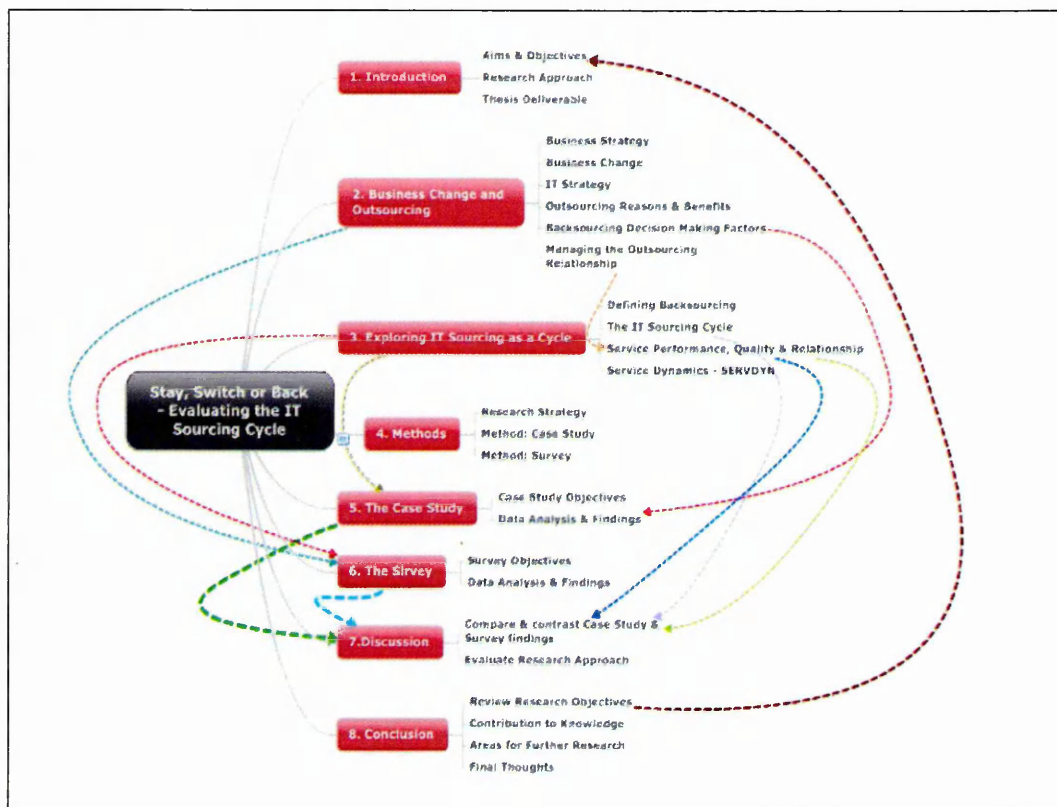


Figure 1.1 Thesis Structure

Chapter 3 Exploring IT Sourcing as a Cycle

This Chapter proposes the idea of an IT Sourcing Cycle based on a review of literature on outsourcing. The IT Sourcing Cycle is examined in the context of backsourcing and alternatives to backsourcing are reviewed. Finally, the IT Sourcing Decision Framework is proposed, and a survey instrument, SERVODYN, constructed to explore the influence of service quality and service relationships on the IT sourcing decision.

Chapter 4 Methodology & Methods

This Chapter sets the scope, methodology and methods for the empirical research carried out. A mixed-methods approach was selected for the research using a case study and survey approach, adopting constructivist ontology and a critical realist epistemology. The research was considered as summative evaluation research - a combination of exploratory and descriptive research using a mixed-methods approach.

Data collection involved the gathering of qualitative data in the form of literature

review, interviews, internal organisation documentation and a survey questionnaire distributed to 794 UK organisations.

Chapter 5 The Case Study

The Chapter presents the findings of a qualitative case study carried out within an organisation that had recently backsource the whole of their IT. The Case Study uses the IT Sourcing Cycle, proposed in Chapter 3, as a framework for the study. The findings are grouped by the stages of the IT Sourcing Cycle; Decision, Transition and Operation. It was one of the first studies completed by an 'insider researcher' allowing for depth of study, particularly the Transition stage, not previously noted in literature.

Chapter 6 The Survey

This Chapter presents the results of the Survey administered to 794 organisations within the UK. The survey examines a number of areas associated with IT sourcing, including sourcing activities, the decision making process, the reasons sourcing decisions and the evaluation of the SERVODYN instrument as a technique for assessing IT service quality, management and relationship. The Chapter concludes by assessing the strengths and weaknesses of SERVODYN and the survey as a whole.

Chapter 7 Discussion

In this Chapter, the findings of the Case Study and Survey are discussed, along with the theoretical and practical implications. A re-conceptualisation of a model considered as part of the literature review is proposed (The IT Functions & Systems Triangle) and the IT Sourcing Cycle proposed in Chapter 3 is re-examined in light of the research findings. The effectiveness of the research is scrutinized and the research limitations are discussed.

Chapter 8 Conclusions

This Chapter represents the conclusions of the study. It shows how the research aims and objectives were met and reflects upon the research process. The contribution to knowledge made by this study is presented and areas for future research are recognized.

1.6 Summary

This Chapter has introduced the thesis and identified the focus and background of the research. It has documented the research aims and objectives, along with the research approach and structure. The next Chapter is the Literature Review.

2 IT Sourcing – Strategy, Change & Options

This Chapter constitutes the literature review. It explores the relationship between business strategy, change and IT outsourcing. It reviews the current outsourcing literature and discusses the way IT can be viewed within an organisation. It looks at the different facets of the IT decision and explores the relationship between outsourcing clients and vendors. Finally, it proposes the IT Strategic Diamond for categorising functions and systems.

2.1 Introduction

A literature review is alternatives

“... a systematic, explicit, and reproducible method for identifying, evaluating, and synthesizing the existing body of completed and recorded work produced by researchers, scholars, and practitioners.” (Fink 2010, p3)

The purpose of this Chapter is to review the body of literature pertaining to the first research objective - *“To understand why organisations change their IT sourcing strategy and explore the effects of the changes on their provision of IT.”* In order to explore this domain, IT Outsourcing is used as an area of inquiry deemed useful in understanding why organisations change the provision of their IT.

Making the decision to outsource some or all of an organisation's IT could be viewed as a business decision motivated by the desire for change. Any change within the organisation can act a trigger for change in the way IT is sourced. Any decision to outsource IT is not carried out in isolation; the whole organisation can be affected by the decision. Whatever the reason or reasons for outsourcing some or all of an organisation's IT, the change within the organisation would generally be significant. More specifically, it affects the relationship between the outsourced functions and the rest of the organisation changes. The rest of the business would have to communicate with a third party for their IT requirements and involves a significant change in management behaviour within the outsourcing organisation

When reviewing IT sourcing it is clear, for example, that back sourcing (bringing previously outsourced IT back in-house) would not be an option if the organisation had not previously outsourced some or all of its IT. It therefore seemed logical to explore why organisations outsource, so that these factors can be compared with those for back sourcing (i.e. the frameworks for outsourcing) before creating one for back sourcing. The reasons for changing to outsourcing are another important area to explore, so that they can be contrasted with the reasons given for back sourcing.

So why change at all? In this chapter, the idea of business strategy and the possible effect on IT strategy is considered. The motivation for change at an organisational level is then investigated and used as a 'lens' to consider the specific motivation for IT outsourcing. IT outsourcing is then explored from a number of perspectives, including a review of theories applied to the decision to outsource. This is followed by a discussion of the way IT may be perceived within an organisation, how that may affect a decision to outsource and the way outsourcing agreements could be managed depending on the perception of the IT function being outsourced.

2.2 Business and IT Strategy

Organisations often claim that they are making decisions for strategic reasons, or that changes are being made because of a new business strategy. IT outsourcing, for example, is often couched as a strategic decision based on a desire to concentrate on core competencies (DiRomualdo and Gurbaxani 1998, Prahalad and Hamel 1990). So what is meant by business strategy and IT strategy, and what is the relationship between them?

2.2.1 Defining Business Strategy

Strategy means many things to many people. Markides (2004) argued that, despite decades of research in the area, there was little agreement among academics as to what strategy is. It was Markides' (2004) view that strategy revolved around three

main dimensions; who are the targeted customers, what products or services will those customers be offered and how it would achieve the first two, i.e. what activities would it perform. Just as important was what products or services it would not offer and therefore the activities it would not carry out (Markides 2004). The 'who', 'how' and 'what' dimensions were seen as a key to setting the organisation's strategic position, providing boundaries within which the organisation operates (Markides 2004). Loosely speaking, this definition of strategy is comparable to part of the definition Porter (1996) proposed, although Porter goes further, stating that it is not just 'a' position,

"Strategy is the creation of a unique and valuable position, involving a different set of activities." (Porter 1996, p68)

Porter (1996) also argued that the activities that were considered out of scope where 'trade-offs', creating the need for choice,

"But a strategic position is not sustainable unless there are trade-offs with other positions. Trade-offs occur when activities are incompatible." (p68)

Mintzberg (1987) stated that strategic position, or Strategy as Position, was just one of five alternative ways to view strategy, articulated by Mintzberg as the five P's; Strategy as a Plan, a Pattern, a Position, a Perspective or a Ploy. Strategy is seen as multi-dimensional, requiring a number of definitions to encapsulate strategy as a whole (Mintzberg et al 1998). Johnson et al (2011) went for a simple definition

"Strategy is the long-term direction of an organisation." (p3)

This represents a narrower definition than that used in a previous edition of the same book. Johnson & Scholes (2002) stated

"Strategy is the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfil stakeholder expectations." (p32)

This definition seemed to be more comprehensive, emphasising the idea of competitive advantage. They go on to declare that strategy can be present at three levels within an organisation; corporate, business and operational (Johnson & Scholes 2002). Table 2.1 summarises the traits of the three levels. Johnson et al (2011) elaborates further saying that the three levels of strategy, corporate, business and operations, need to be closely linked and aligned with each of the others.

Strategy Level	Description
Corporate	<p>Concentrates on the overall scope of the organisation. Deals with strategy in areas such as</p> <ul style="list-style-type: none"> • geographical scope • diversity of products or services • acquisitions of new businesses • distribution of resources across businesses
Business	<p>Deals with how the individual businesses should compete within their own markets (also known as competitive strategy). Concerns issues such as</p> <ul style="list-style-type: none"> • innovation • appropriate scale of operation • response to competitors moves
Operational	<p>Concerns how the components of the organisation delivers the corporate and business strategies, in terms of</p> <ul style="list-style-type: none"> • resources • processes • people

Table 2.1 Levels of Strategy

Porter (1996) did not seem to differentiate between corporate and business strategy, but argued that there is a difference between strategy and operational effectiveness. Porter (1996) stated that they are both essential for superior performance, but that they work in different ways. Operational effectiveness is concerned with performing similar activities better than rivals perform. Strategic positioning is all about differentiation, performing similar activities in a different way or performing different activities altogether (Porter 1996). This differentiation between strategy and operational effectiveness seemed very important, and a way to make a distinction between strategic and 'cost cutting' decisions, an issue that will be referred to again later in this chapter.

2.2.2 IT Strategy

Defining IT Strategy should be straightforward. Using the levels of strategy proposed by Johnson et al (2011) it would seem that IT falls into the Operational strategy level. However, whether this is the case would depend on how the overall organisation was structured. If there was, say, one centralised IT servicing all the subsidiaries in an organisation, for example, IT decisions would be taken at a corporate level. If each subsidiary had their own IT, then IT decisions would be made on this lower level, possibly subject to policy dictated centrally. The issue,

then, would seem to be how to align IT strategy and business strategy. Harris et al (1983) believed that

"When properly managed, technology complements business strategy in mature companies, drives business strategy in high-technology companies and, in most industries, can be leveraged to achieve a sustainable, competitive advantage in the marketplace. The key lies in formulating the right technology strategy and, ultimately, integrating it into the corporate planning process." (p28)

Peppard & Ward (2004) stated that it was accepted that technology had no inherent value and was unlikely, on its own, to be a source of competitive advantage. It was through business changes and innovations that added value could be realised. Wilson (1991) believed that the emphasis should be on the whole of IT and not just the technology itself, as it was the whole that defined a route to a competitive strategy.

Baets (1992) proposed that IT alignment to business strategy was a key activity. Goldsmith (1991), concurred with Baets (1992),

"Information strategies need to be developed in the same process and at the same time as the business strategy, if competitive advantage is to be secured from IT systems." (p67)

Peppard & Ward (2004) proposed a move from IT strategy to what they called 'IS capability'. In essence, the IS capability was seen as key to the Business and IT strategies, but also relied on the business and IT operations. , we return to Porter's (1996) proposal that strategy and operational effectiveness are both essential for superior performance.

So, it would seem that a consensus has been reached. IT strategy, like any other strategy created in an area of the organisation, should be created at the same time as, or because of, business strategy (Johnson et al 2011). The issue with this assertion is that the second part, because of, implies an order, i.e. business strategy then dictates IT strategy. It also raises another issue in terms of the formulation of business strategy - the levels within an organisation proposed by Johnson et al (2001). How closely connected are the executives that formulate business and IT strategy? If the two are to be devised at the same time (Goldsmith 1991), it is implied that the senior IT executive is part of the Board of Directors. However, Moynihan & Heller (2008) seemed to indicate that this is far from the case, with

only 5.7% of the United States Fortune 1000 having a Chief Information Officer on the Board of Directors. If this is correct in the wider context, the gap between the formulation of business strategy & IT strategy is implicit and implies a what/how relationship between business and IT strategy. Business strategy is the “what”; IT strategy is one of the “hows”, along with marketing strategy, sales strategy, etc.

Moving on to focus specifically on IT strategy, there is another area that needs to be addressed. IT strategy and IT infrastructure and systems being seen as strategic seem to create confusion in literature. Bloodgood & Salisbury (2001) believed that four characteristics of a resource must be present for it to be a basis of sustainable competitive advantage. These are that it should be valued in the situation it is to be used, it should be rare, it must be inimitable (i.e. it cannot be copied) and finally, it must be non-substitutable (i.e. it is not possible to accomplish the same thing through a different set of resources). Could this be said of all IT? This area will be returned to later in this chapter.

2.3 Why Change?

To understand the rationale for outsourcing, it is necessary to look at why organisations instigate change at the organisational level, in order to change their IT sourcing strategy. To understand why change within an organisation occurs, it is necessary to review; why organisations instigate change, levels of change and their organisational effects and how change is managed.

2.3.1 Why Organisations Instigate Change

Why instigate change within an organisation? If the organisation is profitable and achieving its goals, what is the driver for change? Business strategy is often the driver, the key being that any organisation operates within a changing environment (Johnson & Scholes 2002). Change is implicit within strategy, gaining or maintaining an advantage over competitors implies change – standing still allows the competition to catch-up or get ahead in market terms. However, change is not just driven by strategy. As Porter (1996) identified, strategy and operational effectiveness are equally important to an organisation. Change can therefore be driven by a desire to improve operational effectiveness. Either way, change has to

be seen within the context of the organisation within which change is taking place.

Change within organisations seems almost perpetual and has been the subject of much discussion over the last 50 or 60 years, with the discussion 'kick-started' by Lewin (1951). Clemmer (1995) has an interesting take on change management, saying that "change management" is an oxymoron, based on the assumption that it is an orderly thinking and implementation process that plots a course of action. The underlying idea is that change cannot be 'managed' and that it is the willingness, at all levels within an organisation, to change that is important (Clemmer 1995). This idea would seem a little extreme, although it may be seen that change management, like any plan, has to adapt as circumstances change. Most changes start with a plan, however rudimentary. The art of a successful change is to adapt as circumstances alter (Johnson et al 2011).

Goldstein & Burke (1991) stated that

"Organizations tend to change primarily because of external pressure rather than an internal desire or need to change." (p5)

This definition of change seems to imply that the desire to change within an organization is a reactionary process driven by change in an organizations environment. Looking at the objectives for change, Burke (2002) identified that change is generally systemic,

"...some aspect of the system, such as the organisation's managerial structure or the reward system, is selected for change. Usually, this selection is made as the result of a previous diagnosis and in collaboration with the relevant people within the organisation." (p49)

Essentially the change objective is systemic because a change to one part of a system (i.e. the organisation) will eventually affect other parts, resulting in a total system approach. Also, the target for change is at an organisational level and not an individual level (Burke 2002).

If change is systemic, what change strategies could be employed? Bloodgood and Salisbury (2001) applied the Resource Based View of the firm to look at strategies for organizational change. Four types of change were proposed and have been summarized in Table 2.2, along with an example of how such a change strategy

might apply to IT.

Change Strategy	Description	IT Example
1). Business as usual	This strategy involves performing activities as they have always been performed. May include minor variations in operations.	Purchase of new system & demanding that it functions the same as the one it is replacing.
2). Acquiring new resources without reconfiguring	This is concerned with simply buying new resources and using them as they were designed.	Outsourcing agreement to maintain legacy systems at a reduced cost
3). Reconfigure existing resources	Using resources already owned by the organisation by increasing the efficiency or effectiveness of those resources to achieve a better 'fit' with the external environment	Re-organisation to facilitate closer working relationships between IT and business functions
4). Reconfigure with new resources	The novel use of both existing resources and those that the firm may acquire. These resources are combined in new and different ways in order to increase the efficiency and effectiveness of the organization.	Purchase of new hardware/ software or engagement of outsourcing partner for new system development

Table 2.2 Strategies for Change

Looking at the strategies for change advocated by Bloodgood & Salisbury (2001), it could be viewed that only 'reconfigure with new resources' provides an opportunity for strategic improvements in terms of a move towards the creation of a core competence. Mintzberg et al (1998) proposed a Change Cube, where the two major dimensions of change within an organisation; firstly strategy, where the organisation is headed and secondly, the state the organisation is in. The assertion was that both have to be considered when instigating change (Mintzberg et al 1998). In terms of the Change Cube (Mintzberg et al 1998), the 'reconfigure with new resources' proposed by Bloodgood & Salisbury (2001) aligns most to a change in strategic vision involving rethinking or reconceiving.

2.3.2 Levels of Change

The way a change, or series of changes, are introduced within an organisation goes toward the speed and the type of change introduced. Weick & Quinn (1999) looked at change in terms of episodic or continuous change. Episodic change is characterised as those changes that tend to be infrequent, discontinuous and intentional. This type of change fits most closely the framework proposed by

Lewin (1951) in terms of unfreeze, change and refreeze. It was labelled episodic because

"...it tends to occur in distinct periods during which shifts are precipitated by external events such as technology change or internal events such as change in key personnel." (p365)

This also aligns more closely to revolutionary change. Burke (2002) sees revolutionary change as a 'jolt' to the system being reviewed and changed. One of these 'jolts' was characterised as a change in mission for the organisation (Burke 2002), effectively a change in strategy. Johnson et al (2011) saw revolutionary change as a process that required rapid and major strategic change with a culture change. For continuous change, Weick & Quinn (1999) and defined this as being

"...used to group together organizational changes that tend to be on-going, evolving, and cumulative." (p375)

This type of change has often been associated with Total Quality Management (Jarrar & Aspinwall 1999); the key is that this type of change is evolutionary or incremental in nature. Johnson et al (2011) go further, stating that evolutionary (incremental) or revolutionary (big bang) change are both transformational in nature, it is the speed of change that is the differentiator. It is also stated that change can be a realignment within the organisation, being either an adaptation (incremental) or a reconstruction (big bang approach) as proposed by Johnson et al (2011).

2.3.3 Managing Change

For Mintzberg et al (1998), change can take one of three forms; planned, driven or evolved. Each of these, by their nature, is managed in different ways. Evolved change could be likened to the 'bottom up' approach to change. Burnes (2004) argues that the Culture-Excellence approach to organisations, proposed by Peters & Waterman (1982), suggested that the approach of planned change was too inflexible and slow to change

"For proponents of Culture-Excellence, the world is essentially an ambiguous place where detailed plans are not possible and flexibility is essential." (Burnes 2004, p988)

Evolved change is considered 'organic', in that it is guided by those in the organisation outside of positions of significant authority (Mintzberg et al 1998) and

can lead to what Gladwell (2000) terms as the 'tipping point'. This is where little changes can have a ripple effect until a tipping point, the point of critical mass, is reached and the change becomes mainstream. Another way of looking at this could be that this tipping point results in an emergent strategy, part of what Mintzberg et al (1998) termed as the Learning School of strategic thinking. This type of change is, by definition, evolutionary in nature, and the change itself could be seen as incremental. Only when it reaches critical mass could it transform to a 'big bang' approach if rolled out to the rest of the organisation.

Mintzberg et al (1998) defined driven change as change that was guided by an individual or small group in authority that ensures it happens. This type of change is often in the shape of rationalising, restructuring or repositioning and can be evolutionary or revolutionary, incremental or 'big bang'.

The final type, planned change, is probably the type most associated with the idea of strategic change within organisations. This is the 'top-down' approach to change first proposed by Lewin (1951), in what was seen as a seminal work in the area, and is seen as integral to strategic management (Mintzberg et al 1998). Again the nature of change could be evolutionary or revolutionary, incremental or 'big bang'. In a 'top-down' approach to strategic change, Johnson et al (2011) sees middle management as the implementers of change.

Any major change within the organisation could be a 'trigger' or 'tipping point' to review the way IT is sourced within an organisation. Changes in IT sourcing requirements are not a unique organisational change phenomenon. Looking at studies discussing organisational change, Business Process Reengineering (BPR) and IT outsourcing provides an interesting comparison. BPR, like outsourcing, is a management process that has a significant effect on an organisation. Table 2.3 provides a comparison between different examples of a change involving general organisational change, Business Process Reengineering and outsourcing. Goldstein & Burke (1991), provided for general organisational change, Kallio et al (2004) identified drivers for BPR and Baden-Fuller et al (2000) identified drivers for outsourcing.

Goldstein & Burke (1991)	Kallio et al (1999) on BPR	Baden-Fuller et al (2000) on Outsourcing
A new competitor snares a significant portion of a firm's market share.	<i>Internal inefficiency</i> within a company's current operations observed for example as high cost or low quality.	<i>Catch-up</i> : despite a slow moving environment the firm has fallen behind its competitors;
An old customer is acquired by a giant conglomerate that dictates new sales arrangements.	<i>Changed customer/supplier requirements</i> for current products or services observed as low satisfaction or high pace of losing customers or suppliers.	<i>Changing value chains</i> : the firm must respond to changing customer needs;
New government regulations or economic and social conditions that create long-term changes in the availability of the labour force.	<i>External changes uncontrollable and unpredictable to the industry</i> in the forms of, for example, tighter economic conditions, new legislation or advanced technology.	<i>Technology shifts</i> : the firm's core is outdated because of new technology;
A new invention offers the possibility of changing the organization's existing production technology.		<i>Emerging markets</i> : new markets are available to the firm because of rapid changes in technology and customer demand.

Table 2.3 Comparing Drivers for Change

The degree of 'fit' between Goldstein & Burke (1991), Kallio et al (2004) and Baden-Fuller et al (2000) appears to be clear. In the case of BPR and outsourcing, should this apparent alignment be a surprise? Both BPR and IT outsourcing are seen as major organisational change events (Hammer & Champy 2001, Lever 1997), usually carried out as a result of real or perceived problems (Hammer 1990, Earl 1991). As such, both BPR and outsourcing are revolutionary, rather than evolutionary in nature (Hammer & Champy 2001, Lever 1997). They are seen as second order or transformational change (Burke 2002).

2.3.4 Summary

The drivers for change within an organisation appear to be well documented; changes within an organisation or its environment force the review of current strategy. Business and IT strategy are symbiotically linked. A change in the former will lead to a change, or at least a review, of the latter. However, why would it lead to the outsourcing of IT? Changes in the direction of an organisation, because of either strategy or operational effectiveness, lead organisations to review all of their operations, of which IT is only one. It is during the review of IT that a decision may be made to change IT strategy in order to meet the new business

objectives, with outsourcing often seen as one of the options. The reasons for, and benefits of, outsourcing are discussed in detail in the following section.

2.4 IT Outsourcing

Outsourcing, as a concept, has been the subject of academic discussion for nearly a hundred years (Ellram & Maltz 1990), starting largely from papers written by Ford Whitman Harris first published in 1913 (Erlenkotter 1990). IT outsourcing, on the other hand, has been a specific topic of discussion since the much-vaunted agreement between Kodak and IBM in July 1989. Loh & Venkatraman (1992b) heralded this as a landmark agreement that had a profound effect on outsourcing being perceived by companies as a serious strategic choice. Porter (1996) stated that

"The popularity of outsourcing and the virtual corporation reflect the growing recognition that it is difficult to perform all activities as productively as specialists." (p63)

The IT Outsourcing market as a whole is big business. According to US-based sourcing advisory business Technology Partners International's (TPI) figures for IT Outsourcing (for industry-wide total contract value over \$25m), the IT outsourcing market in 2008 was worth \$69 billion globally (TPI 2009). It is no small wonder that there is so much interest in IT outsourcing, from both an academic and commercial perspective. So what is outsourcing and why do organisations do it?

2.4.1 Defining IT Outsourcing

The idea of outsourcing or contracting-out work to a third party has been around for many years and is by no means limited to IT sourcing (Fill & Visser 2000, Mantel et al 2006). Huff (1991), for example, cites the use of Facilities Management as the pre-cursor to what is now commonly termed as outsourcing. As a result, there have been many definitions of what constitutes 'outsourcing'. Although others have defined what is meant by IT outsourcing (Lacity & Hirschheim 2003, Lankford & Parsa 1999, Gilbert 1993, Fitzgerald & Willcocks 1994), the most common definition used in literature seems to be that given by Loh and Venkatraman (1992a),

"... the significant contribution by external vendors in the physical and/or human resources associated with the entire or specific components of the IT infrastructure

This definition clearly emphasises the IT element in the definition of outsourcing. In this context ‘infrastructure’ includes equipment, staff, applications, methods and policies required to provide system services. This has been used as the definition for IT outsourcing throughout this paper.

The provision of IT services within an organisation is an evolving phenomenon. Lee et al (2003), for example, proposed a timeline based on outsourcing trends. Currie & Willcocks (1998) identified four types of IT sourcing decision: total outsourcing; multiple-supplier outsourcing; joint venture/strategic alliance sourcing; and insourcing. The latter, in this context, was seen as the ‘in-house’ sourcing of IT requirements. Brooks (2006) also split IT sourcing into four types: total outsourcing, selective outsourcing, total insourcing and ‘body shop outsourcing’ – the latter being the use of external support managed by internal personnel. It would seem, therefore, that IT sourcing is an area that has multiple possible solutions. For outsourcing, Brooks (2006) identified no less than thirteen variants of selective outsourcing discussed in various publications.

Teng et al (1995b) noted that the nature of outsourcing agreements had evolved since the 1970’s. Loh & Venkatraman (1992a) proposed alternative types of IS outsourcing based on the internalisation of human and physical resources. Lee et al (2003) advocated an outsourcing timeline that tracked the changes in the types of outsourcing deal since the 1960s. This can be extended into the 21st century, where there appears to be a shift away from the ‘total solution’ prevalent in the 1990s towards ‘selective solution’, termed as ‘just right outsourcing’ by Aron et al (2005). Whatever flavour of outsourcing is selected by an organisation or for whatever reason; the general process to move from internal resource to an external vendor would seem to be broadly the same. If the outsourcing process is broadly the same, how is outsourcing perceived within literature?

2.4.2 Outsourcing theories

Many theories have been developed to assess outsourcing, particularly the decision process, from many perspectives. Earlier publications on outsourcing

tends to concentrate on cost savings, using transaction cost economics, otherwise referred to as transaction cost theory, to analyse and justify outsourcing decisions (Williamson 1985, Wang 2002, Aubert et al 2004).

Loh and Venkatraman (1992a) determined a negative relationship between IT performance and outsourcing. Low economic returns on IT investment appeared to influence organisations toward outsourcing more of their IT infrastructure. It was acknowledged by the authors that the study findings were limited to economic factors within the decision process and recommended that further research was required in other areas to gain a better understanding of the IT outsourcing phenomenon (Loh and Venkatraman 1992a). Subsequent research has moved towards other theories as it became clear to some authors that a 'transaction cost' view of outsourcing did not reflect the whole picture, and that other approaches were more appropriate (Hancox & Hackney 1999). Table 2.4 summarises a number of theories applied to outsourcing, along with the authors that applied them.

Cheon et al (1995) proposed a conceptual model for studying outsourcing that combined Resource-Based Theory, Agency Costs Theory, Resource-Dependence Theory and Transaction Costs Theory, asserting that

"We believe that such a framework can provide guidance in examining the various aspects of the outsourcing phenomenon in a consistent and cumulative manner."
(p215)

The observation is that each theory provides a 'window' or 'lens' on outsourcing. The conceptual model proposed by Cheon et al (1995) seems to encompass all facets of the outsourcing decision by combining the theories used elsewhere and would appear, at first sight, to cover all the required areas. However, Cheon et al (1995) do not appear to comment on the relationships between the different theories and how they link or contradict each other, other than a cursory acknowledgement that the theoretical concepts are interrelated.

Theory	Premise	Author
Agency Cost Theory	The outsourcing decision is based on the most efficient contract in terms of the agency costs, i.e. the costs incurred because of the disparities between the objectives of the client and those of the vendor.	Bahli & Rivard (2003), Hancox & Hackney (2000), Oh et al (2006), Gottschalk & Solli-Sæther (2005), Tiwana & Bush (2007)
Resource-Based Theory	Outsourcing is a way of filling gaps in IT resources and capabilities not available internally. The focus is an internal analysis that clarifies IT requirements	Zhao & Calantone (2003), McIvor (2009), Wang et al (2008), Gottschalk & Solli-Sæther (2005), Cheon et al (1995)
Resource-Dependence Theory	Outsourcing is used to obtain resources through exchange with third parties in order to reduce uncertainty in the environment. The focus is external, with an acknowledgement that the organisation is dependent on external resources.	Cheon et al (1995), Oh et al (2006),
Transaction Costs Theory	Outsourcing is used to reduce costs, contracting to a vendor or vendors those activities that can be obtained externally at a lower overall cost. The focus is on cost and the comparison between internal and external IT costs.	Zhao & Calantone (2003), Bahli & Rivard (2003), Hancox & Hackney (2000), Yang & Huang (2000), Oh et al (2006), Aubert et al (2004), McIvor (2009), Gottschalk & Solli-Sæther (2005), Tiwana & Bush (2007)

Table 2.4 Outsourcing Theories

Dibbern et al (2004) note that there had been a shift in outsourcing literature over time, from focusing on reducing the cost of IT to looking more at the strategic aspects of the outsourcing decision. It was also noted that a closer examination of the role that factors related to power, politics, and interpersonal relationships play in the sourcing decision was needed to move research in the field forward (Dibbern et al 2004). This perception is examined in section 2.5 when looking at backsourcing.

One final thought on the use of theories in outsourcing. As was noted earlier, outsourcing theory seemed to start from transaction cost theory. It has become clear that, increasingly, outsourcing is being investigated using multiple theories. Cheon et al (1995) is a classic example. Kern & Willcocks (2000) used Relational Contract Theory and Social Exchange Theory, and Gottschalk & Solli-Sæther (2005) used 11 management theories, finding that core competence management and stakeholder management were the most critical success factors. Therefore, it would seem that there is no 'one size fits all' in terms of outsourcing theories; which ones to apply to outsourcing depend on the area of interest. Interestingly there also

appears to be a move from concentrating on costs in early outsourcing literature towards treating outsourcing as a strategy – this is a concept expanded further in section 2.6.

2.4.3 Of Reasons and Benefits

The reasons for, and benefits of, outsourcing appear to be inextricably linked. Many authors talk about either reasons or motives for outsourcing, for the purpose of this discussion the two are used interchangeably.

Kremic et al (2006) proposed that there are three motivations for outsourcing - cost, strategy, and politics. The five most frequently discussed expected benefits from outsourcing were cost savings, quality improvement, greater flexibility, access to skills and talent and an increased focus on core functions (Kremic et al, 2006). Earl (1991) identifies cost savings, corporate style or policy factors, quality, flexibility and accountability as the five main arguments in favour of outsourcing. Cost savings seem to predominate as one of the main motives for outsourcing, not surprising then that attempts were made to understand the decision to outsource using transaction cost theory (Loh and Venkatraman 1992a, Aubert et al 2004). As discussed earlier, the move towards an organisation outsourcing IT to concentrate on core competencies became more prevalent (Lonsdale & Cox 2000). When looking at the motives for outsourcing, it seems they can broadly divide along the lines of Porter (1996) as either for strategic reasons or operational efficiencies.

The idea of when outsourcing should be undertaken has also been a cause for debate in literature. Fowler and Jeffs (1998) believed that an IT function that was perceived to be 'in trouble' should not be outsourced until it was under control. This conflicts with a number of other authors within the area, who advocate what effectively amounts to 'disposing of the problem child'. Verhoef (2005), for example, talks of the temptation of throwing the problem "...over the fence" (p276). Fowler and Jeffs (1998), however, state that

"...it is unlikely that problems can be consistently and effectively 'outsourced away' without substantial internal efforts." (p124)

Seemingly concurring with this, Currie & Willcocks (1998) came to the conclusion

that

"One of the salient points arising from empirical research into IT resourcing decisions is the tendency of organizations to develop short-term solutions and thereby overlook potential long-term problems." (p141)

This idea of outsourcing for the wrong reasons a theme that emerged later as part of the findings of the Case Study in Chapter 5.

Lonsdale & Cox (2000) summarized the main outsourcing motives quoted by managers during research

- Focus resources on core activities
- Cost reduction
- Benefit from a suppliers investment and innovation
- Improve time to market
- Convert fixed cost to variable

Although most of these motives are often mentioned in outsourcing literature about (Kremic et al 2006), it is the last motive "convert fixed costs to variable" that provides a possible insight into something other than a cost or strategic motive. Moving the cost of IT sourcing from a fixed to a variable cost provides a boost to the balance sheet (Hall & Liedtka (2005). It was also suggested that there was a link between CEO (Chief Executive Officer) compensation and large scale outsourcing decisions, the conclusion reached was that the way the financial rewards of a CEO were structured could have a significant effect on large scale IT outsourcing decisions (Hall & Liedtka 2005).

"In summary, our results suggest that CEOs make irreversible large-scale IT outsourcing decisions due to factors that include firm financial desperation, firm cash needs, and the desire to maximize personal compensation." (Hall & Liedtka 2005, p215)

It would seem, therefore, that the political and personal motivations of a CEO could have an effect on an outsourcing decision. As will be illustrated later as part of the Case Study (Chapter5), it can also have an effect on back sourcing.

Baden-Fuller et al (2000), Willcocks and Choi (1995) and Strassmann (1994) all argue the advantages and disadvantages or provide a 'model' for outsourcing decisions. Benko (1993), for example, constructed a comprehensive list of the advantages and disadvantages of outsourcing that seemed to encapsulate observations made by others. The advantages given by Benko (1993) are quoted in

numerous articles on outsourcing as the benefits of outsourcing. Kremic et al (2006) in a comprehensive review of outsourcing literature, created a list of the expected benefits and potential risks that looked surprisingly similar to the list of advantages and disadvantages compiled by Benko (1993). Both lists could also be seen as broadly the same as those found by Lonsdale & Cox (2000). As this type of exercise is a 'well-trodden path', no attempt was made as part of this research to duplicate it. However, an exercise was carried out to compile what appeared to be the most common reasons for outsourcing, using Kremic et al (2006) as a steer.

Compiling the most common reasons given for outsourcing was important. It provided the input for part of a survey of UK organisations on their IT sourcing decisions carried out as part of the empirical research for this thesis.

Reason	Identified by Author/s	Category
Cost reduction	Oh et al (2006), Lonsdale & Cox (2000), Kakabadse & Kakabadse (2002), Antonucci et al (1998), Willcocks et al (1995), De Looff (1995), Shepherd (1999), Huff (1991)	Operational efficiency
Focus on core capabilities	Lonsdale & Cox (2000), Quinn and Hilmer (1994), Kakabadse & Kakabadse (2002), Antonucci et al (1998), Lankford and Parsa (1999), Willcocks et al. (1995), Huff (1991)	Strategic
Capital infusion	Kakabadse & Kakabadse (2002), Lonsdale & Cox (2000)	Strategic
Transfer fixed costs to variable	Lonsdale & Cox (2000), Kakabadse & Kakabadse (2002), Antonucci et al (1998), Shepherd (1999), Currie & Willcocks (1998), Huff (1991)	Operational efficiency
Greater flexibility	Kakabadse & Kakabadse (2002), Willcocks et al (1995)	Strategic
Access to skills/expertise	Kakabadse & Kakabadse (2002), Antonucci et al. (1998), Willcocks et al (1995)	Strategic
Quality improvement	Antonucci et al. (1998)	Operational efficiency
Faster delivery of new systems	Lonsdale & Cox (2000), Kakabadse & Kakabadse (2002), Quinn and Hilmer (1994)	Strategic
Access to latest technology/infrastructure	Lonsdale & Cox (2000), Antonucci et al (1998)	Operational efficiency
Political reasons	Cronk & Sharp (1995), Willcocks et al (1995),	Strategic
Improve accountability/management	Kakabadse & Kakabadse (2002), Huff (1991)	Operational efficiency

Table 2.5 Reasons for Outsourcing

The reasons for outsourcing illustrated in Table 2.5 can be categorised using the reasons for change proposed by Porter (1996), either for strategic reasons or to achieve operations efficiencies. However, there are ambiguities. Capital infusion, for example, could be to reduce bank borrowing (operational efficiency) or to fund new product development (strategic). However, the categories have been assigned on the balance of the original motives purported by the authors listed in Table 2.5.

The reasons given for outsourcing viewed in isolation, however, do not tell the whole story. In order to get a full picture of the outsourcing debate it is necessary to look at the reasons organisations give for not pursuing the outsourcing route. The reasons for keeping IT in-house could be viewed as being similar to the disadvantages of outsourcing, with Benko (1993) providing a comprehensive list of these disadvantages. However, not all reasons could be seen in this light. One example might be that IT was viewed as being a core part of the business. These reasons, however, have been articulated in other literature. Table 2.6 represents a summary of the reasons given for keeping IT in-house.

Reason	Identified by Author/s	Category
IT is seen as core business	Currie & Willcocks (1998), Barthélemy (2003), Goo et al (2007)	Strategic
High level of in-house technical expertise	Currie & Willcocks (1998), Barthélemy (2001), Earl (1996)	Strategic
In-house IT seen as cost efficient	Currie & Willcocks (1998), Barthélemy (2001), Whitten & Leidner (2006), Whitten & Wakefield (2006), Hurley & Schumann (1997)	Operational efficiency
Inadequate supplier/market conditions	Currie & Willcocks (1998), Barthélemy (2003), Whitten & Leidner (2006)	Operational efficiency
Synergy between business and IT	Currie & Willcocks (1998), Barthélemy (2003), Benko (1993), Hurley & Schumann (1997)	Strategic
Lack of trust about supplier motivation	Currie & Willcocks (1998), Barthélemy (2003), King & Malhotra (2000), Benko (1993)	Strategic
Retain up-to-date technical expertise	Currie & Willcocks (1998), Earl (1996), Benko (1993)	Strategic
Quality improvement	Antonucci et al. (1998)	Operational efficiency

Table 2.6 Reasons for IT Staying In-house

Table 2.6 seemed to illustrate that a number of the reasons given for IT remaining

in-house represent the antithesis of reasons given for outsourcing, the idea that the in-house provision was seen as cost efficient being a prime example. The list of reasons in Table 2.6 was used as part of the Survey completed and documented in Chapter 6.

2.4.4 Managing the Outsourcing Agreement

Once outsourcing has been completed, the main task for the client is monitoring the provision of the service detailed in the contract. The research covering the management of an outsourcing agreement and the relationship between the customer and the vendor is another well-trodden path in IT outsourcing literature. Managing the outsourcing agreement would seem, at first sight, to be straightforward. In common with a multitude of other buyer/supplier relationships, the original outsourcing agreements tended to be controlled and enforced through a contract and the use of Service Level Agreements, or SLAs (Willcocks & Choi 1995, Miranda & Kavan 2005). This approach predominated largely because transaction cost economies were used as a framework for understanding economic activities (Goo et al 2009). However, Dwyer et al (1987) made a legitimate point, arguing that each buyer/seller exchange is treated as a discrete event and not as an on-going relationship. It is argued that the development of the relationship is beneficial for both sides (Dwyer et al 1987). Even with a relationship building process in place, management of a relationship using a contract alone can be problematic. Most business contracts tend to be incomplete (Richmond et al 1992), often signed by the client in a hurry to start the agreement (Lacity & Hirschheim 1993). Alborz et al (2003) commented specifically on SLAs, stating that most are defined poorly with a focus on technical requirements rather than business need, with performance measures based on technical definitions and not business rules. As a result, the service does not meet business need, leading to a dissatisfaction that can weaken the client-vendor relationship (Alborz et al 2003). This matter became relevant for ClientCo in the Case Study covered in Chapter 5.

The notion of a relationship between client and vendor has been developed further

in literature. Elitzur & Wensley (1997) stated that it was often a requirement of an outsourcing contract for the outsourcing organization and the vendor to establish an intimate relationship. They go on to state that such an ongoing relationship can lead to a reduction of monitoring of the agreement and an increase in trust. Goo et al (2008) emphasised that trust and commitment were becoming increasingly important in outsourcing relationships and the formulation of SLAs, as part of the contract management process. This move towards maintaining the relationship between the client and the outsourcing vendor does not come as a surprise. Chakrabarty et al (2007) found that service quality and relationship quality were significantly and positively related and that both contributed to overall user satisfaction. The idea of service quality and relationship quality is developed further in Section 3.2.

Kishore et al (2003) advise that outsourcing should be considered more as a management of relationship with service providers rather than as a simple subcontract for IT services. Oliver (1990) suggests a number of determinants of cooperative relationships, of which necessity, reciprocity, efficiency and stability apply to the principle of outsourcing. Jahner & Kremar (2007) proposed a typology of outsourcing relationships, with five different relationships categorised by key relationship factors and the strategic intent, ranging from commodity supplier to strategic alliance partner. The proposed typology was then used to put forward the idea that different governance mechanisms were needed for different relationships. On this basis, it would seem that the contract and monitoring of SLAs within an outsourcing agreement would always be required. Poppo & Zenger (2002), for example, see formal contracts and relational governance as complementary. Although SLA's are usually documented as part of the formal contract, how could relational governance be measured? This is covered in detail in Section 3.2.3.

How the outsourcing agreement is managed is only part of the story, which of the parties has ownership and control over the IT assets that are subject to the agreement can have a significant influence on the success or failure of the

agreement, this is covered in more detail in section 2.4.6

2.4.5 The Importance of an Exit Strategy

Once the outsourcing process to the vendor is completed, what next? McLaughlin & Peppard (2006), for example, assert that over 80% of IS outsourcing contracts are renegotiated during the lifetime of the agreement. Although the source of this figure is not clear from the paper, why such a high figure? A number of issues need to be considered when looking at the operation of an outsourcing agreement, not least of which are culture, management processes and procedures, contract management and service and relationship management (Gong et al 2007). However, what if any of these factors break down to the point where the outsourcing client wants to terminate the agreement or chooses not to renew? An organisation would have to review their IT sourcing options and make a decision as to how to source some or all of their IT again. So the question again is what next? The outsourcing process does not just consist of the decision-making process and management of the subsequent contract. The options available to organisations beyond the termination or completion of the outsourcing agreement should be considered at the outset of the decision making process given the attrition rates for outsourcing contracts noted earlier.

The area that seems to have been largely overlooked within current outsourcing literature is that of an outsourcing contract 'exit strategy'. A search on the database Business Source Premier (completed April 2012) using the keywords of "exit strategy" and "outsourcing" only yielded one peer-reviewed journal article, that of Barthélemy (2001). There were no peer-reviewed articles for the keywords "exit plan" and "outsourcing".

Shepherd (1999) did allude to the idea of an exit strategy, stating that the lack of a suitable exit strategy could lead to the contract termination and handover of the areas under contract being very complex,

"...requiring a great deal of co-operation from the incumbent if disruption was to be avoided." (p81)

The omission, or poor definition, of an exit strategy (with appropriate exit clauses)

within the original outsourcing contract has the possibility of opening a whole Pandora's box of legal and issues for the client and the vendor should switch vendors or back sourcing result from the sourcing decision (Whitten & Leidner 2006). However, an effective exit strategy could facilitate the re-negotiation of an existing contract, switching supplier or bringing IT back in-house. Barthélemy (2001) issued a cautionary note on this,

"Companies seldom realize how difficult and costly it is to end an IT outsourcing contract. That knowledge may make some companies less eager to outsource in the first place." (p66)

It would seem that bringing outsourced IT back in-house has the propensity to be like trying to 'put the Genie back in the bottle'.

2.4.6 Power, Asset Ownership and Control

Asset ownership and control are synergistic in nature. Williamson (1985), when looking at transaction costs, argued that whoever owns the means of production has control and that external ownership increases transaction costs. Hart & Moore (1990) also stated that the ownership of an asset is important as ownership implies control. This is derived from the earlier work of Hart (1989), who stated that

"...ownership of an asset goes together with the possession of residual rights of control over that asset; the owner has the right to use the asset in any way not inconsistent with a prior contract, custom, or any law." (p1765)

Cullen et al (2005) took the idea of asset ownership and expanded it within the context of IT outsourcing, proposing a framework of resource ownership in an IT outsourcing agreement that divided the types of resource into three categories; assets (e.g. hardware, software), facilities (e.g. office site, data centre) and labour (direct and/or management). Cullen et al (2005) went on to explain that

"Ownership is not literal; it identifies the party holding facility or asset leases, for example, or the party holding the labor agreement with contracted staff." (p374)

This definition, more aligned to residential right theory, is slightly different from those used in Transaction Cost Theory, where the focus is on the investment made by the asset owner. The emphasis is more on who has control of the asset.

Asset ownership and control has particular relevance in a case of a total

outsourcing agreement. The assets (staff and hardware, software etc.) are often transferred to the vendor for an agreed payment, This validates a point made earlier, where the client often outsources to receive a capital injection (Lonsdale & Cox 2000), converting fixed capital IT costs into variable operational costs in the process.

Alongside the idea of asset ownership within IT outsourcing is asset specificity, one of the main tenants of transaction costs theory. For asset specificity, the key is how scarce the asset is. Williamson & Tweedy (1986) recognised only two types of asset specificity - highly specific and non-specific. Hart (1989) specified that these assets were split into nonhuman (non-specific) and human (highly specific) assets. This has major implications for IT outsourcing in that the IT staff will invariably be transferred to the vendor with IT infrastructure generally being transferred as discussed in the previous paragraph. King & Malhotra (2000) stated that assets are specific when they cannot be used outside of the outsourcing relationship. However, it does allow the vendor an opportunity to gain knowledge that can be used for the benefit of their potential customers. This could lead to a potential threat to the client.

With a vendor having control over the some or all of a client's IT, including the highly specific assets; can this control be misused within an outsourcing agreement? An important part of managing an outsourcing contract and agreement is the level of autonomy granted to the vendor. The vendor is engaged to manage the outsourced IT so that the client does not have to be concerned with the day-to-day operation. With this, however, comes a significant risk. The vendor is in a position of power that can be taken advantage of through opportunistic behaviour. Goo et al (2007) proposed that a stringent contract, along with strong governance could minimise the occurrence of opportunistic behaviour. Gottschalk & Solli-Sæther (2005) seemed to concur, stating that

"The contract should prevent opportunistic behaviour in an efficient collaborative environment with balance of power between client and vendor." (p694)

An all-encompassing contract, however, is a double-edged sword, as it can also restrict agility and flexibility, resulting in addition cost (Goo et al 2007).

How can a vendor behave opportunistically? Clemons & Hitt (2004) identified three types of opportunistic behaviour

- Poaching, where information transferred to the vendor to aid the performance of the contract is deliberately used outside the contract for the vendor's own benefit
- Deliberate underperformance by the vendor, where the client cannot monitor performance
- Abuse of power, where the client becomes dependent on the services of the vendor.

If a power imbalance exists between the client and the vendor, with the latter being dominant, the third of the bullet points listed above becomes a real risk, especially when renegotiating or discussing the extension of an existing agreement.

2.4.7 Knowledge Management

Johnson & Scholes (2002) stress the importance of knowledge and knowledge management when considering strategic capability. Does an organisation lose knowledge because of IT outsourcing?

Anderson & Parker (2002) looked at the effect of learning on the make or buy decision, specifically on the production of components and their integration into complete products. Although the subject matter was not IT, some learning seemed transferable to this arena. The authors themselves commented that the models developed could be applied to internet commerce, where the difficulty was in integrating the different parts of the system (Anderson & Parker 2002). One of the key comment findings was that when a component is outsourced, the learning accrues to the suppliers rather than the client organisation. However, learning of integration only occurs if the component and the integration process are outsourced to the same supplier, in which case the supplier accrues the benefit (Anderson & Parker 2002).

King and Malhotra (2000) make the point that outsourcing can often lead to a deterioration in an organisations ability to innovate as they are accumulating little technical knowledge. The assertion is that

"For sustainable competitive advantage, companies must learn and assimilate new

technologies, tacit skills and competencies that will become the basis of future initiatives. Firms that rely on outsourcing may find their internal skill sets deteriorating as they become 'locked out' from learning new skills and technologies that are critical to participating in industry evolution." (King & Malhotra 2000, p331-2)

This is tied to the fact that the potential success of the outsourcing relies on the transfer of information from the client to the vendor, so that the latter can carry out its contractual duties (Clemons & Hitt 2004). Once this initial exchange has taken place there may be a tendency for the information exchange to dwindle as the client is excluded from new skills and technologies moving forward (King & Malhotra 2000). This is one of the aspects that can lead to opportunistic behaviour on behalf of the vendor, as discussed previously. Bhagwatwar et al (2011), when talking of knowledge management during the backsourcing transition phase, stated that

"The role of co-operation of the outsourcing vendor is critical here because the vendor has complete knowledge of the various steps that were followed when the outsourcing took place. It is important for the company to communicate and co-ordinate with the vendor because this will not only lead to early detection of risks involved but will also ensure that the backsourcing process is completed quickly." (p170)

This would seem to be a little simplistic, at worst, naive. To believe that a vendor would cooperate at all times during the transfer of IT back to the client seems somewhat misguided. As in most business dealings, a party looks after their own interests first (Clemons & Hitt 2004). King & Malhotra (2000) noted that the threat of opportunistic behaviour by the vendor during an outsourcing agreement is a real threat. This has already been discussed.

Feeny & Willcocks (1998) proposed a framework of IS Core Capabilities, with these capabilities (or roles) are based around business, technology or service competencies, with a number of roles requiring the combination of competencies.

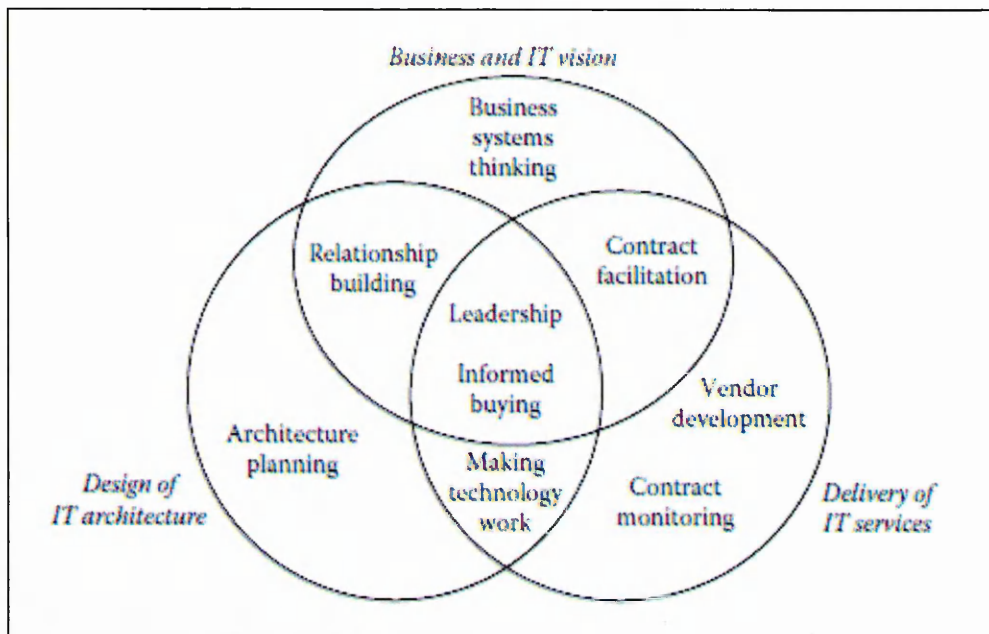


Figure 2.1 IS Core Capabilities (Feeny & Willcocks 1998)

When outsourcing, a number of the core capabilities are implicitly transferred to the vendor, 'design of IT architecture', for example. This leaves a gap in the client's capabilities that could lead to issues as the outsourcing agreement progresses over time.

2.4.8 Summary

From the literature review, it would seem that IT outsourcing could have a significant impact on an organisation in terms of strategy and change. Outsourcing to concentrate on core capabilities has been shown as not being as straight forward as it first appears. Outsourcing can actually inhibit an organisation's ability to change and innovate, the balance between the client and the vendor is a delicate one, where a power imbalance in favour of the vendor can lead to opportunistic behaviour that adversely affects the client.

If a client is unhappy with an outsourcing agreement and renegotiation does break down, what are the options? One is to switch vendors, the other is to bring the outsourced IT back in-house. This latter option will be considered next.

2.5 IT Backsourcing

Research in the area of IT backsourcing has only begun to surface over the last five years or so. Within the UK, backsourcing was more commonly termed as insourcing and, to a certain extent, still is. Insourcing is seen as the process of bringing IT back in-house. This leads to a problem. Preliminary research demonstrated that there are a number of different interpretations of what constitutes insourcing. These alternative definitions need to be explored in order to settle on a working definition for bringing outsourced IT back in-house.

2.5.1 Defining Insourcing/Backsourcing – the alternatives.

The origins of the term insourcing are many. Currie & Willcocks (1998) state that insourcing is where an organisation chooses to do all the work in-house, hiring external contractors short term for specific projects if necessary. Hirschheim and Lacity (2000) defined insourcing as

“...the process of evaluating the outsourcing option but confirming the continued use of internal IT resources to achieve the same objectives of outsourcing.” (p100)

Both Currie & Willcocks (1998) and Hirschheim and Lacity (2000) seem to agree that insourcing implies the use of internal IT resources.

Hirschheim and Lacity (2000) advocated four Archetypes of Insourcing; these are listed in Table 2.7.

- | |
|---|
| <ol style="list-style-type: none">1. Senior executives enable internal IT managers to cut costs – internal bids made in competition with prospective outsourcing vendors to drive down costs.2. IT managers terminate failing outsourcing contracts – often poorly negotiated, terminating the outsourcing contracts resulted in cost savings and improved performance.3. IT managers defend ‘insourcing’ – i.e. an outsourcing evaluation is used to ‘confirm’ that keeping IT in-house was the better option.4. Senior executives confirm the value of IT – support and faith in IT is traditionally strong so outsourcing bids are not even considered. |
|---|

Table 2.7 The Four Archetypes of Insourcing

Archetypes 1, 3 and 4 could be argued as keeping IT ‘in-house’ – changes in sourcing strategy do not result from the decision-making process. Archetype 2, however, does result in a change in IT sourcing – previously outsourced IT is brought back in-house. Alternatively, Slaughter (2004) defines insourcing as

“The expansion into the United States by foreign-headquartered multinational

firms.” (p1)

Amiti & Wei (2005) concurred with Slaughter (2004) in what seems to be an American definition of insourcing, i.e. that

“...the phrase US ‘insourcing’ refers to the outsourcing from the rest of the world to the United States.” (Amiti & Wei 2005, p314)

King and Malhotra (2000) developed a framework for the use of internal markets as an alternative to outsourcing. This was implicitly dubbed as ‘insourcing’ although no definition of what was considered as ‘insourcing’ was offered. Broadly, the views expressed by King and Malhotra (2000) coincided with Hirschheim and Lacity (2000) in this context, although ‘insourcing’ was not seen as a process ‘to go through’, but a framework for IT sourcing that used an internal market mechanism. It could be argued that ‘insourcing’ as used by King and Malhotra (2000) is normal operation in an organisation with an internal IT division.

On initial observation, it would seem that there is no single definition of insourcing. More appropriate would be an initial classification or taxonomy of what constitutes insourcing found in Table 2.8.

- | |
|--|
| <ol style="list-style-type: none">1. The expansion into the United States by foreign-headquartered multinational firms (<i>Amiti & Wei 2005, Slaughter 2004</i>).2. Termination of outsourcing contract and bringing outsourced area back ‘in-house’ (<i>Hirschheim and Lacity 2000, Verhoef 2005</i>).3. The process of evaluating the outsourcing option but confirming the continued use of internal IT resources to achieve the same objectives of outsourcing. (<i>Hirschheim and Lacity 2000</i>).4. Doing the IT function in-house, hiring external contractors short term for specific projects if necessary. (<i>Currie & Willcocks 1998</i>). |
|--|

Table 2.8 An initial taxonomy of Insourcing

More recently, insourcing has been synonymous with organisations that have taken their outsourced IT back ‘in-house’. Vining & Globerman (1999) termed this as ‘backsourcing’, as have others (Verhoef 2005, Whitten & Leidner 2006, McLaughlin & Peppard 2006).

Looking at the taxonomy of insourcing, the definition of what constitutes insourcing from an American perspective (Amiti & Wei 2005, Slaughter 2004) seems to be at odds with the other definitions – it appears to be standard business

by multi-national companies (Johnson & Scholes 2002). The definition of insourcing by Hirschheim and Lacity (2000), that of considering outsourcing but keeping IT 'in-house', seems to be a label for the decision rather than a process followed. Such a decision is, in reality, an agreement that IT sourcing should continue 'as is'. Bringing IT back in-house from an outsourcer appears to be the most common and appropriate use of the word 'insourcing' within the UK. Whether 'insourcing' or 'backsourcing', as proposed by Vining & Globerman (1999), is more appropriate could be argued further. However, for the sake of clarity, and for the purpose of this research, the term backsourcing will be used. Backsourcing is defined (by the author) as,

"The process followed by an organisation to bring some or all of its previously outsourced IT function back in-house as an internal unit of the organisation."

2.5.2 `Looking at the Decision Making Factors

It has been noted that the backlash against IT outsourcing started as early as 1997 (King & Malhotra, 2000). However, research in this area has only started to emerge in the last decade.

It could be viewed that the decision to backsource is the result of an IT sourcing review and, as such, is just one of the outcomes from such a review – contract renewal and switching to another vendor being other possible alternatives (Whitten & Leidner 2006). Given the time, effort and cost an organisation may have expended to outsource its IT, why would it want to reverse the process?

Overby (2005) was one of the first articles to discuss backsourcing, specifically at JP Morgan Chase after the merger with Bank One. The merged organisation ended the outsourcing agreement JP Morgan Chase previously had with IBM. Senior management appeared to give the same reasons for backsourcing IT that were given for the original outsourcing agreement (Overby 2005). However, Lacity et al (1996) noted, during their research, that two out of fourteen organisations with an original total outsourcing deal had bought IT back in house. It would seem that organisations have been practising backsourcing; it had just not been termed as backsourcing until authors (such as Overby & Verhoef) started labelling the

process of bringing IT back in-house as back sourcing.

McLaughlin & Peppard (2006) looked at back sourcing decisions through a collection of media releases, newspaper and journal reports and company accounts. Wong (2008) and Veltri et al (2008) followed a similar approach. These studies concentrated on data available from secondary sources. Whitten & Leidner (2006) provided one of the first insights, via empirical data, into the decision to either switch vendors or backsource previously outsourced IT in the context of application development. Applying the reasons for business decisions used by Porter (1996) created by Dibbern et al (2004) to categorise reasons given for the outsourcing decision provides interesting results for the reasons given for the back sourcing decision.

The reasons for back sourcing found by Whitten & Leidner (2006) seem to correspond closely with those found by others. It would seem that a switch in the perception of IT's importance to the organisation, senior management changes within the client, cost, desire to regain control of IT and a poor relationship with the vendor were all major contributors. Some of the reasons are apparently straightforward and quantifiable - excessive cost, for example. Executive Management changes or an organisation acquisition/merger could lead to overall business review and change. It could therefore be viewed that strategic and economic factors are predominantly objective. However, the organisational factors are more subjective. The relationship between the client organisation and the vendor, and the feeling of loss of control by the client, are more difficult to quantify. It could be viewed that the perceived quality of the service or relationship are more open to subjective influence. Veltri et al (2008) note that although the reasons of a back sourcing can be identified, it is not possible to state what the most important reason was. They go on to state that the importance of each reason cannot be gauged, or which one of the reasons provided the tipping point for the re-evaluation of the outsourcing contract (Veltri et al 2008).

The decision factors in Table 2.9 have also been categorised using Porter's (1996) split into strategy and operational effectiveness. The reasons for back sourcing by

author (Table 2.9) have been summarized and used for the survey instrument. These can be found in Table 2.10.

Decision Factors	Whitten & Leidner (2006)	McLaughlin & Peppard (2006)	Wong (2008)	Veltri et al (2008)
Strategic	<ul style="list-style-type: none"> IT seen as a competitive asset 	<ul style="list-style-type: none"> IT seen as strategic rather than commodity Changes in business environment Business change and evolution Technology change Management change Desire to regain control 	<ul style="list-style-type: none"> Changes in strategic directions Changes in IT role Changes in organizational structure (due to acquisition, mergers, etc.) Vendor merges with other organizations New management Loss of control IT resources accessibility 	<ul style="list-style-type: none"> External changes (acquisition) IS role change New Executive Loss of control Know-how mismatch
Operational Efficiencies	<ul style="list-style-type: none"> Poor price Poor relationship with vendor Poor service 	<ul style="list-style-type: none"> Contract problems Vendor fails to achieve profit from agreement Failure to meet objectives 	<ul style="list-style-type: none"> Cost Service quality 	<ul style="list-style-type: none"> Excessive cost Poor service

Table 2.9 Reasons given for Backsourcing

Reviewing the reasons given by organisations earlier for outsourcing and backsourcing appear to be broadly similar. So what else contributes to the decision to backsource rather than re-negotiate or switch vendors?

Backsourcing can be a painful process and is risky for the client (Overby 2005), why would an organisation expose themselves to such risk to the IT provision and a risk to the organisation as a whole?

Reviewing the reasons for backsourcing discussed earlier (Table 2.9), backsourcing for reasons of operational efficiencies seem clear-cut. This could be phrased as 'terminated for cause', where the outsourcing venture is placed under so much pressure that renegotiation or termination are the only options. Kern et al (2002) term this as the 'Winners Curse', where the successful vendor in the bidding process bids at too low a price or agrees to contract conditions that it finds it cannot meet, or the cost to the client is deemed too far in excess of the original

contract cost.

Strategic motives also seem straightforward initially. An organisation with outsourced IT that has been acquired by another will almost inevitably review the whole of the merged organisation, including IT sourcing. Such a review may result in backsourcing (Veltri et al 2008). However, there is an anomaly. One of the reasons noted by many of the articles looking at the backsourcing decision was that IT was now seen as a competitive asset or as strategic (Whitten & Leidner, 2006 and McLaughlin & Peppard, 2006). This could be viewed as evidence of an IT area perceived as commodity and therefore outsourced, subsequently re-evaluated as strategic because of the change in perception of IT within the business. The re-categorisation of 'IT as Commodity' to 'IT as Strategic' also raises other issues; does such a process imply that backsourcing is the only option at the end of the outsourcing agreement? Switching vendors would appear to continue to imply 'IT as Commodity'. It could also be that a relationship with an outsourcing vendor that was originally deemed as strategic did not work as anticipated.

Reason	Identified by Author/s	Category
Lack of visibility of IT - desire to regain control	Wong & Jaya (2008), Veltri et al (2008), Overby (2003)	Strategic
Change in role - IT now seen as strategic to the organisation	Wong & Jaya (2008), McLaughlin & Peppard (2006), Whitten & Leidner (2006), Veltri et al (2008)	Strategic
Vendor failure to achieve specific objectives	McLaughlin & Peppard (2006), Whitten & Leidner (2006), Veltri et al (2008)	Operational Efficiencies
Change in organisation strategy	Wong & Jaya (2008), McLaughlin & Peppard (2006), Overby (2003)	Strategic
Changes within organisation (merger or acquisition)	Wong & Jaya (2008), McLaughlin & Peppard (2006), Veltri et al (2008)	Strategic
Outsourced systems did not keep track with technology change	McLaughlin & Peppard (2006), Veltri et al (2008)	Operational Efficiencies
Changes within organisational Senior Management	Wong & Jaya (2008), McLaughlin & Peppard (2006), Veltri et al (2008), Overby (2003)	Strategic
Cost savings did not materialise	Whitten & Leidner (2006), Veltri et al (2008)	Operational Efficiencies

Table 2.10 Backsourcing Reasons used for the Survey

Table 2.10 lists the reasons for back sourcing summarised earlier. These are the reasons used as part of the survey described in Chapter 4. Applying Porter's (1996) classification, it would seem the categories are evenly split between being driven by strategy (strategic) and operational efficiencies.

Again, as with the reasons for outsourcing, there are ambiguities. The desire to regain control, for example, could be to reduce runaway costs (operational efficiency) or to use IT to build a new competitive advantage (strategic). Consistency, in terms of the categories used for outsourcing, was maintained for the reasons for back sourcing.

As with outsourcing, a number of risks of back sourcing (Table 2.11) were identified by those that looked at the back sourcing process carried out by organisations to date (McLaughlin & Peppard 2006, Veltri et al 2008, Wong & Jaya 2008). These were subsequently augmented by risks identified during the Case Study phase of this research to generate a list of back sourcing risks for use during the survey phase of the research.

Reason	Category
Loss of senior management and/or key staff	Operational Efficiencies
Lack of knowledge of the process to bring IT back in-house	Operational Efficiencies
Deterioration of relationship with the vendor	Operational Efficiencies
Loss of IT technical knowledge	Operational Efficiencies
Lack of in-house IT management experience	Operational Efficiencies
Transference of Vendor contracts with third Parties	Operational Efficiencies
Disruption to business operations	Operational Efficiencies

Table 2.11 Identifying Backsourcing Risks

An observation can be made here - all of the risks for back sourcing can be classified as having an effect on operational efficiencies - in this case a negative one. This could be because the risks themselves are based around the transition

from the vendor and the subsequent operation of IT once the transition is complete. However, it is possible that some of the reasons illustrate the ambiguity seen earlier when looking at outsourcing and backsourcing reasons. Loss of IT technical knowledge, for example, could inhibit an organisation's ability to innovate – a strategic consideration.

With the limited research so far into the backsourcing domain, it seems a number of questions still arise, indicating gaps in current research.

2.5.3 Backsourcing – Gaps in Current Research

A review of literature indicated a number of areas for further research. Literature for Backsourcing had largely concentrated on data available from secondary sources (McLaughlin & Peppard 2006, Wong 2008, Veltri et al 2008), with Whitten & Leidner (2006) being an exception. It would seem that the lack of empirical data on the number of organisations that have subsequently backsourced after outsourcing was an area requiring further research. This was surprising given that outsourcing, as defined previously, has been prevalent for over 25 years.

2.5.4 Research & Case Study Objectives

Looking at the literature review on backsourcing and the introduction of the IT Sourcing Cycle discussed in Chapter 3, it would seem that Figure 2.2 is a representation of the IT Backsourcing Domain. This was used as a basis for the Case Study research discussed extensively in Chapters 4 and 5. This depiction of the backsourcing research domain highlighted gaps in current literature. These led to two primary areas of investigation during the case study stage, the first concerns the decision making process, the second being the process of transition of an IT Division from the outsourcer and its subsequent operation within the newly merged organisation.

The first area covers the decision making process - how was the decision arrived at, what were the perceived problems within the organisation that prompted the decision. Additionally, what were seen as the strategic and competitive advantages from moving in the chosen direction, i.e. backsourcing? Secondly, the process,

where there are two particular areas of interest. The first is the actual mechanics of the backourcing process. This could best be described as 'due diligence', i.e. what has to happen for the transfer to take place. This is more of an 'information gathering' exercise to provide a background for the second area.

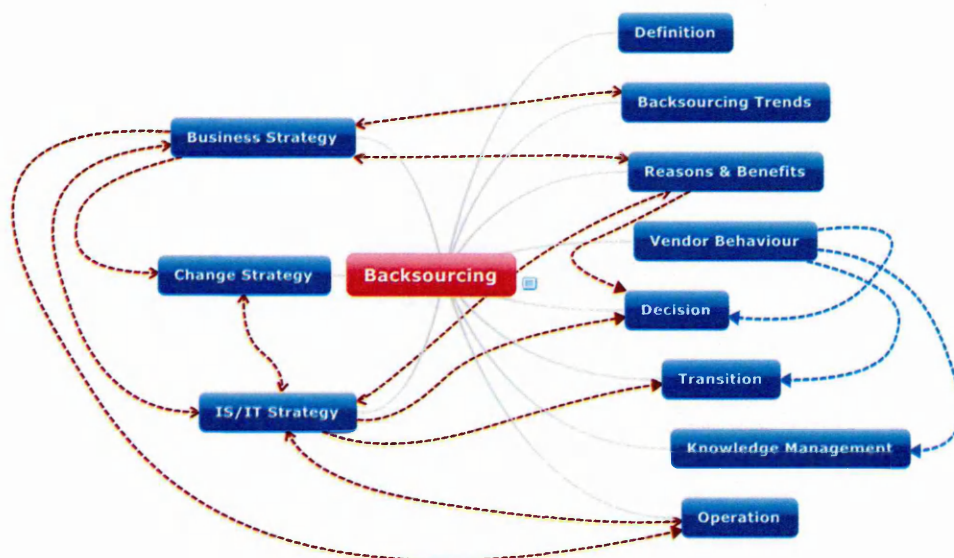


Figure 2.2 The IT Backsourcing Domain

The second area covers how the transfer takes place and the ways in which the interests of both parties are protected. Inherent in IT is the documented and tacit knowledge of the organisation and the individuals in terms of the business and IT systems operation and development (Willcocks et al 2004). For an organisation carrying out backsourcing, the conjecture is that the transfer and management of this knowledge is key to the organisation moving forward successfully at the completion of the backsourcing process. Referring to the original Research Objectives, five Case Study objectives were formulated.

Research Objectives	Case Study Objectives
(3) To identify the key strategic and decision-making factors to backsource IT, and to contrast these with the outsourcing process.	To explore the importance and the drivers of the decision stage in backsourcing.
(4) To understand the backsourcing process in comparison with the	To understand the decision making process and the options explored.

Research Objectives	Case Study Objectives
existing frameworks for IT outsourcing.	To discover the 'mechanics' of the transition stage and the problems or barriers, that become apparent in backsourcing.
	Exploration of the importance of knowledge management and the retention of key personnel in the backsourcing process.
	To determine the differences in the operation stage for backsourcing.

Table 2.12 Case Study Objectives

Using the IT Sourcing Cycle (proposed in Chapter 3), Figure 2.2 and Table 2.12 as a framework, four research questions were formed to guide the inquiry.

Research Question 1

Is the decision stage more risky for outsourcing than backsourcing?

Firstly, the supposition is that the decision stage for outsourcing is more risky as it signals a change in IT strategy that affects the whole organisation (Fowler & Jeffs 1998, Kremic et al 2006). It is also more risky because an organisation has to select the correct supplier. In the case of ClientCo, where a 'total' outsourcing approach was adopted, it could be considered higher-risk compared to a multi-vendor approach (McFarlane & Nolan 1995). To a certain extent it is a 'leap in the dark', the actual performance of the vendor cannot be judged until after the transition has been completed. It is this aspect that Aron et al (2005) conceptualise as strategic (opportunistic behaviour) and operational (suboptimal performance) risks that provide the greatest areas of concern for an organisation embarking on outsourcing.

The decision stage would seem different for backsourcing. It is an evaluation of alternatives (stay with vendor, switch vendors or backsource), with risk assessments of each alternative. Once the decision to backsource has been made, the risks associated with the decision are encountered within the transition and operation phases.

Research Question 2

Is the transition stage, in terms of 'mechanics', more problematic for back sourcing than outsourcing?

For an outsourcer, the transition of IT from the client is essentially part of normal business practice, albeit not without risk (Bahli & Rivard 2003, Gong et al 2007). For an organisation back sourcing IT, it may be a 'one off' operation, an exercise they have not done before and may not do again. Does this uniqueness give rise to problems, anticipated and unforeseen?

Research Question 3

Is knowledge management and the retention of key personnel more important in the back sourcing transition process than in outsourcing?

An outsourcer will probably have access to a 'pool' of technical expertise that can be called upon if key personnel are lost or, as has been articulated, supply skills and expertise not available within the client (Kakabadse & Kakabadse 2002, Antonucci et al. 1998, Willcocks et al 1995). A back sourcer would have to identify gaps and recruit accordingly. This could be a time consuming exercise during which the organisation could be exposed.

Research Question 4

Is the Operation stage for outsourcing and back sourcing different?

When dealing with 'total' outsourcing or back sourcing where the change affects the whole of IT, it is proposed that the Operation stage is different from outsourcing or back sourcing. For outsourcing, IT is integrated within an existing IT structure of the vendor - essentially a 'like for like'. For back sourcing, IT is integrated back into the 'business' of the organisation, the issue would be that the back sourcing organisation may have had only a limited sight of IT as a business function (Veltri et al 2008).

2.5.5 Summary

The Backsourcing literature to date has predominantly concentrated on the backsourcing decision (Whitten & Leidner 2006, McLaughlin & Peppard 2006, Wong 2008, Veltri et al 2008). When a previously outsourced IT arrangement has been brought back in-house, it is not unreasonable to assume that some of the same issues occur to those when the IT was previously outsourced. This assumption highlights a gap in current literature - very little is known about the backsourcing process other than that stated by organisations that have backsourced their IT. The issue is that what have been placed in the public domain are the details an organisation is willing to articulate. Research in the area of the backsourcing process would also be of benefit; what made an organisation review their outsourcing agreement, why choose backsourcing rather than re-negotiating or switching vendors? During the backsourcing process, what were considered the significant risks and issues?

Finally, what steps were taken to integrate the IT back within the organisation structure and culture? The longer the IT area has been outsourced the larger the adjustment necessary and the more the backsourcing process resembles a merger or acquisition. There are two things to consider. Firstly, the 'detachment' from the client organisation and the effect that has on staff and secondly, if the outsourcing agreement ran for a number of years some of the staff working for the vendor may never have ever worked for the client. How would this affect any transition?

Barclays outsourced software application development and maintenance to Accenture in a six year deal, stating quicker response to change, resource flexibility and lower costs as the reasons (Accenture 2004). Barclays has recently brought the outsourced functions back in-house at the end of the contract, citing 'commercial reasons' for the decision, stating that the in-house option was the most efficient model for the work (King 2010). Previously, Barclays announced in August 2008 that they would not be renewing a Business Process Outsourcing agreement with Siemens, one that had started in 2000 and renewed in 2005 (Thomas 2008). Were the two decisions made by Barclays made in isolation? A more reasonable

explanation would seem to be a shift in business strategy. Wong (2008) made an interesting point; organisations appear to backsource to correct existing problems and to exploit new business opportunities. Once again, we come back to two of the motivations for outsourcing being mirrored for back sourcing. It really does appear that there is nothing new under the sun.

2.6 Revisiting IT Strategy

In an earlier section, the idea of IT strategy and its link to business strategy was discussed. However, the issue of how IT and its constituent parts are perceived by the organisation when formulating business and IT strategy is also important. From the experience of the researcher, an IT strategy could be as basic as a decision to outsource everything to a vendor or as complicated as matching current and future IT to each objective in the business strategy. This raises a question. If the IT strategy is aligned with the business strategy, and is an integral part of the organisation, as Goldsmith (1991) suggests, is IT strategic?

2.6.1 'IT as Commodity' vs. 'IT as Strategy'

Over the years outsourcing has been the subject of research from many perspectives, from the original 'make-versus-buy' (Loh & Venkatraman 1992a), to several types of outsourcing identified by Verhoef (2005) and Brooks (2006). Willcocks and Choi (1995) talk of using outsourcing as a strategic alliance rather than a buyer/supplier relationship. King (2005) seems to validate the strategic alliance view, stating that the outsourcing decision has gone beyond the make-versus-buy decision with issues such as core competencies and critical success factors becoming important. Talk of strategic alliances and core competencies returns the discussion to the issue of strategy, business and IT. Interestingly, Hancox & Hackney (1999) found, in a study of local authorities and private sector organisations, found that outsourcing IT as a way of concentrating on core competencies was not a major motive for outsourcing. Hall & Liedtka (2005) stated that large-scale IT outsourcing

"... involves the divestiture of all or most IT assets including commodity assets and those specific to the organisation's business strategy." (p194)

So the argument turns to what to outsource and why. Research by Fowler and Jeffs

(1998) proposed a hierarchy for when outsourcing should be undertaken, stating that the strategic importance of a system should dictate if that system is to be outsourced. This approach implies that outsourcing should be selective. This argument against total outsourcing on strategic grounds brings into focus the issue of the way IT is seen within an organisation.

Carr (2003) started a real debate within the IT area, Stewart (2003) said

"Unsurprisingly, "IT Doesn't Matter" has generated an enormous amount of controversy." (p1)

Carr (2003) argued that IT is a commodity that does not provide an organisation with a competitive advantage. This brings IT back to the "make versus buy" argument for outsourcing advocated in some of the outsourcing literature (Loh & Venkatraman 1992b). Others see IT as strategic; Quelin & Duhamel (2003) go as far as to state that an outsourcing decision lies not just as a business strategy, but also as part of corporate policy, as it changes an organisation's boundary. This would apply for any amount of outsourcing, be it minimal, selective or total.

Like many things, the reality is probably somewhere in the middle of these two extremes. Some parts of IT could be seen as a commodity within the context of the organisation. Huff (1991) discussed the idea of outsourcing the 'least strategic' of IS activities along the lines of Fowler & Jeffs (1998), quoting an IS Executive talking about Data Centre assets, stated that

"How you use the iron is strategic, but the iron itself is not strategic" (p62)

Hall & Liedtka (2005) widened the definition of a commodity asset,

"Commodity IT assets are easily obtained in the marketplace." (p194)

Chen et al (1995) seemed to concur with this, observing that certain IS functions are more inherently commoditised. For example, for many organisations a network could be seen as a commodity – just a method of communicating between different sections of the business. For a telecommunications company such as Cable & Wireless, networks would be seen as a core competence and therefore viewed as strategic. Tiernan and Peppard (2004) concur with Carr (2003) that parts of IT are like a utility and therefore outsourcing is a legitimate strategy. However, they go

on to state that there are parts of IT that should never be handed over to an external provider. Hirschheim et al (2003) makes a point that may go some way to explaining why executives and senior managers within an organisation may see IT as a commodity,

"We believe that easy to use technologies such as PC technology in the '80s and the Internet technology in the '90s contributed to the false trend in top management expectations that computer systems are increasingly simple and inexpensive to develop, maintain and support." (p24)

King & Malhotra (2000) go further, stating that many senior executives mistakenly classify all IT activities as a commodity and that the business contribution of IT is overlooked because it is accounted for as an overhead. It is this perception of IT by senior executives that seems to have 'opened the door' for others to exploit. Carr (2003), for example, argued strongly that it was the ubiquity of IT that meant it did not matter strategically and would seem, at face value, to be correct. IT is a commodity or, to re-categorise the statement slightly, IT infrastructure is a commodity. Carr (2003) made a compelling and cogent argument that IT was a commodity or even a utility as more and more suppliers flood the market with PC's, servers, storage, telecoms etc. The crux of the argument was that as there are so many suppliers it is no longer possible to gain competitive advantage using IT, as competitors can quickly catch up (Carr 2003). For IT functions, those defined as underpinning processes by Edwards & Peppard (1997), a commodity classification seems applicable.

However, taking Carr's statements, it might be possible to draw an analogy with the electricity industry; one used by Carr (2003) to 'illustrate' IT's utility. IT goes beyond the infrastructure, just as electricity goes beyond generation and distribution. For IT, IBM or Hewlett Packard may sell you the hardware, but would not insist on what applications should run on it (unless they were selling consultancy services as well!). For electricity, EDF or Scottish Power would not advise on how many TVs you should own or what refrigerator or washing machine you should buy.

So, what is meant by 'IT as Commodity' and 'IT as Strategic'? For the purpose of

this research, 'IT as Commodity' is defined (by the author) as

'Those elements of IT that are readily available from a number of suppliers in the marketplace. Such elements include hardware, networks and software (i.e. IT Infrastructure) freely available to all organisations.'

'IT as Strategic', adapted from Porter (1996) is defined (by the author) as

'Those IT elements or systems that enable a unique and valuable position in the organisation, involving a different set of activities from that of the competition.'

The challenge, then, is how to categorise IT functions or systems as either commodity or strategic. Literature provided two interesting frameworks to examine, the Strategic Diamond (Edwards & Peppard 1997) and the WISE Grid (McKeen & Smith 2003). These will now be explored in turn.

2.6.2 Capabilities, Functions & Systems

There are a number of ways IT could be 'sliced and diced'. Most common, in outsourcing terms, is at an IT Function level. Many articles look either at the outsourcing of the whole IT function or at functions within IT (Cronk & Sharp 1995, Apte et al 1997, Fowler & Jeffs 1998). This, again, could be split on the basis of 'IT as Commodity' or 'IT as Strategic'. Legacy Application Support, for example, could be categorised as Support in the WISE Grid discussed later in this Chapter. There are any number of organisations, such as Infosys and Tata Consultancy Services (TCS) that provide such services. This introduces the idea of utility (multiple possible suppliers) and lack of core competence (legacy) that would put Legacy Application Support firmly in 'IT as Commodity'.

At this stage, a differentiation has to be made by what is meant by functions, capabilities and systems. For the purpose of this research, the following definitions have been adopted. 'Capabilities' are the tangible and intangible assets used to develop and implement functions within the business, each function will have unique capabilities, as well as capabilities in common with other functions (Ray et al 2004). 'Functions' are areas of an organisation; Finance, Marketing and Human Resource Management are seen as functions of an organisation, as is IT (Hodgkinson, 1992).

An 'IT Functional area' is a sub-function within the IT function, areas such as

Applications Development, Application Systems Support, Data Centre Operations & Support and IT Helpdesk. 'Systems' are those organised operations (consisting of one or more processes) that support functions within the organisation. These systems, at a business level, may or may not include IT systems. An 'IT System' supports a specific business function (at the business process level); although an IT System could be used by multiple business functions. A Data Warehouse, for example, may be designed for the marketing function, but the data used to feed Finance IT systems to calculate Sales. The 'IT System' to 'business function' relationship is often a 'one to many' relationship in large organisations. Figure 2.3 illustrates the concept of capabilities, functions and systems.

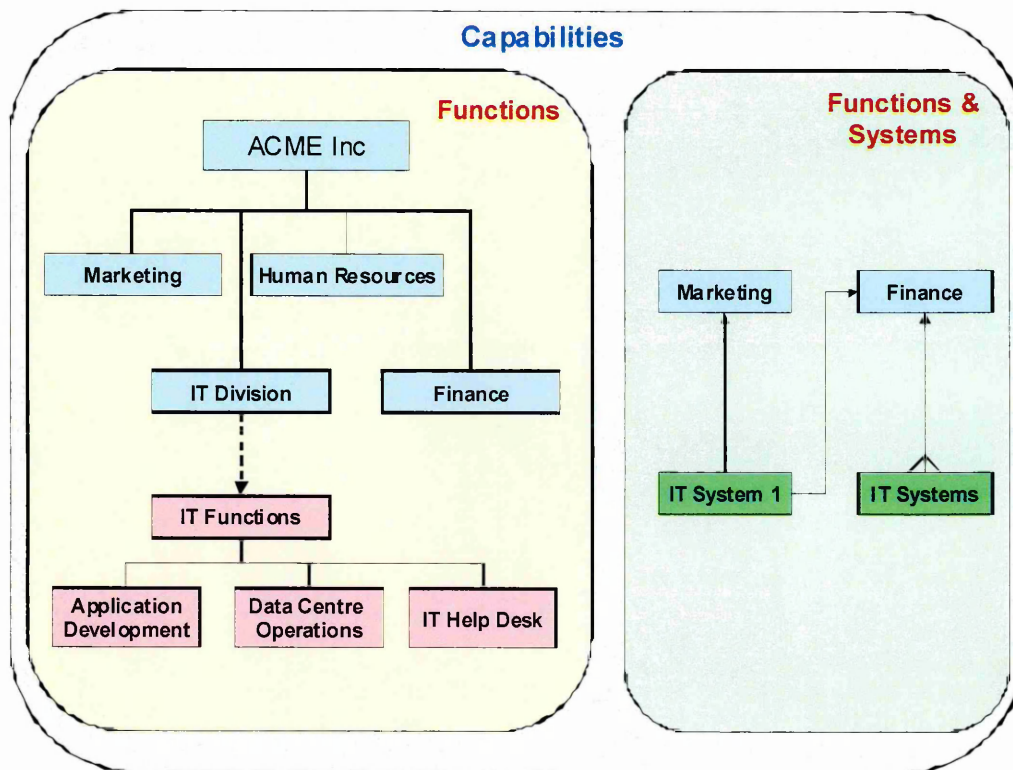


Figure 2.3 Capabilities, Functions and Systems

This differentiation between the different layers is important in view of the way IT is grouped when considering outsourcing. Total outsourcing, for example, would consist of outsourcing the complete IT function. Selective outsourcing, in contrast, would consist of outsourcing an IT sub-function (such as the Help Desk) or the support of a specific IT system (such as Finance). The multi-layered nature of IT needs to be considered when looking at outsourcing opportunities.

2.6.3 The Strategic Diamond

IT systems used by organisations are often in use for a number of years in the experience of the researcher – a system lifecycle of 15-20 years is not uncommon. If an organisation were to outsource some of its IT because it was no longer considered strategic, on what would it base that judgement? With the move towards selective outsourcing (Brooks 2006), this decision takes on more prominence.

Lacity et al (1996) proposed a framework for selecting IT outsourcing candidates, based on the contribution of the IT activity on business operations and business positioning. Although this is useful in terms of the IT activity compared with business position, it does not take into account the concept of IT as either commodity or strategic. Edwards & Peppard (1997) presented a framework, the Strategic Diamond, which may provide another way of looking at the 'IT as Commodity' verses 'IT as Strategic' dilemma. The Strategic Diamond, in its original form, was used to categorise business processes so that the best candidates for Business Process Reengineering could be selected, i.e. those that would provide the biggest benefit. It was an attempt to classify the contribution of the process to the delivery of the business strategy. Cronk & Sharp (1995) extended the work of others on a classification of non-strategic or core competence processes and used this to classify systems and infrastructure along the same lines. The original process classification bore a resemblance to the original framework used by Edwards and Peppard (1997) to create the strategic diamond for processes. Could the same be completed for IT and create a framework that could differentiate between commodity and strategic IT?

A framework for IT overlaying the Strategic Diamond could be completed on one of two levels, either at an IT function or an IT system level. Looking at the IT function level, for many organisations it would be straightforward to categorise some functions. For example, in most organisations the IT Help Desk could be categorised as an underpinning IT function, in that it facilitates the smooth running of the other areas in the overall triangle. It may be difficult, however, to

categorise an IT function as competitive and, by extension, strategic - the best that it may be possible to say is that it could definitely be commodity, desktop purchasing and support being a good example.

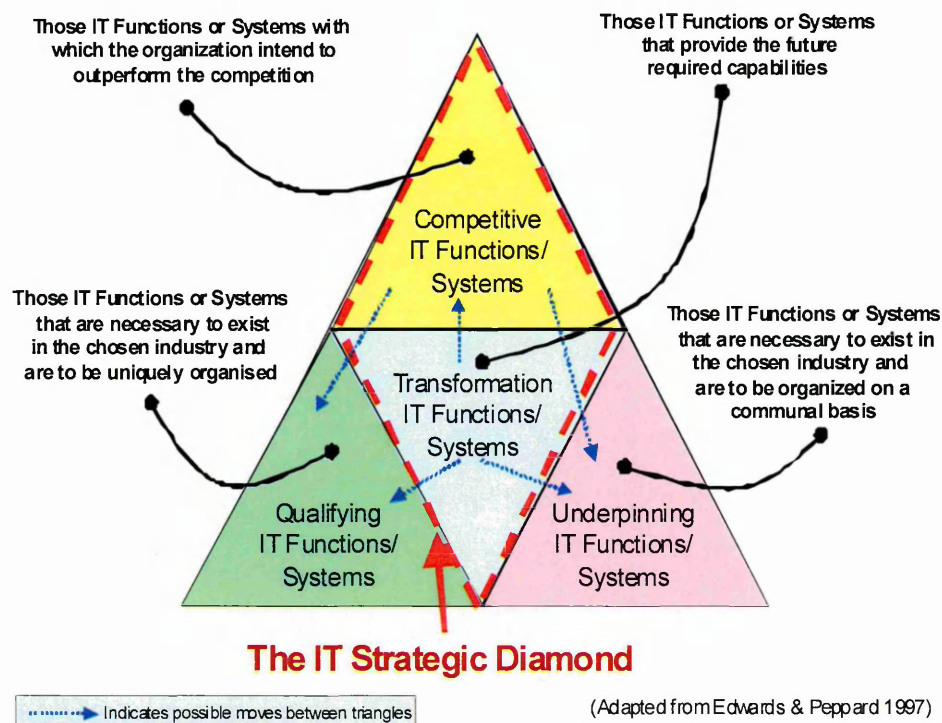


Figure 2.4 The IT Strategic Diamond

Edwards & Peppard (1997) proposed that the Competitive and Transformation processes made up the Strategic Diamond (Figure 2.4). Those processes that directly contributed to business strategy and competitive advantage could be considered a core competence as described by Prahalad & Hamel (1990). If an IT System were key to such a process, it would seem reasonable that it too was considered as a core competence. Additionally, Edwards & Peppard (1997) suggested that processes (and by the researcher's extension, IT Functions and Systems) can move between categories. Firstly, an IT function designed to create a capability, a transformation system, would have served its purpose once the capability has been created. The created system would then move to become competitive, qualifying or underpinning. Secondly, a competitive system loses its advantage as, over time, the competition replicates the system or improves on it. At this stage, if the organisation cannot improve the system to regain competitive

advantage, it would be reclassified as Qualifying IT System. Finally, it may be possible to improve a Qualifying IT System to the point where it provides competitive advantage, thus moving to the Competitive triangle. In summary, it would seem that the IT Strategic Diamond provides a framework for assessing IT functions and systems as commodity (Qualifying and Underpinning) or strategic (Transformation and Competitive). For an IT system to be classified, the underlying business process classification would be the key determinant. For IT functions, it would depend on the 'output' from that function and whether it has the potential to provide competitive advantage. Table 2.13 looks at the IT functions (adapted from Fish & Seydel 1999, Barthélemy 2001) used in the Survey (described in later Chapters) and are classified according to their 'perceived contribution' to an organisation.

IT Function	Strategic Diamond Classification
Applications Development	Transformation/Competitive
Applications Support & Maintenance	Qualifying/Competitive
Data Centre Operations & Support	Underpinning
Desktop Support (PC support & software maintenance)	Underpinning
IT Help Desk	Underpinning
Support operations (equipment maintenance/service)	Underpinning
Systems Support & Maintenance	Qualifying
Telecommunications/LAN	Underpinning

Table 2.13 Classification of IT Functions

Interestingly, it would seem that only the Applications Development Function provides the ability to generate strategic advantage, a notion supported by Andreu & Cibbora (1996). This makes sense to a certain extent, as only in the area of new systems development could competitive advantage be gained - the creation of a business ability that competitors lack. Application Support and Maintenance could be competitive or qualifying depending on whether the underlying systems that are under support/ maintenance are competitive or qualifying. Does this appear to be a conflict? No, because a competitive system could be classed as competitive for a period of time, during which it is unreasonable to assume that it will not be bug fixed or amended to improve functionality. Andreu & Cibbora (1996) also

proposed that organisations should take a good look at their existing IT systems to see if they are strategic but not identified as such, or have systems that, with some modification or addition, could create a competitive advantage.

Characteristic	Apply to IT?
The resource should be valuable in the situation it is to be used	This could apply to an IT application enabling a core competence business process
The resource should be rare	Discounts IT infrastructure
The resource must be inimitable (i.e. it cannot be copied)	Discounts IT infrastructure and the use of Application packages unless highly tailored
The resource must be non-substitutable (i.e. it is not possible to accomplish the same thing through a different set of resources)	Implies uniqueness which again points to an IT application

Table 2.14 Resource Characteristics for Core Competencies

Can the proposal that only IT Applications development, as a function is strategic be validated? Earlier in this chapter, the proposal by Bloodgood & Salisbury (2001) was explored, looking specifically at the characteristics needed for something to provide sustainable competitive advantage. Table 2.14 looks at each of these characteristics and applies it to IT. If an IT system is classified as being competitive using the IT Strategic Diamond, does it automatically make it a core competence? This would depend on the underlying business process. Looking at the four characteristics of a resource able to provide sustainable competitive advantage proposed by Bloodgood & Salisbury (2001) seems to validate the argument (Table 2.14).

The lesson here seems to be that organisations may have IT-enabled core competencies they were not aware of, simply due to the nature of the IT applications themselves. It would seem, from the classification of IT functions made previously (Table 2.13), the identification of application development by King (1994) and the guidelines proposed by Andreu & Cibbora (1996), that it is IT applications only that could be considered as providing core competence/s within IT. This seems to validate the same point made earlier in this section.

If the IT Strategic Diamond, as adapted, seems a good fit for classifying IT functions and systems, are there any other frameworks that could complete a similar function? One such framework is the WISE grid devised by McKeen &

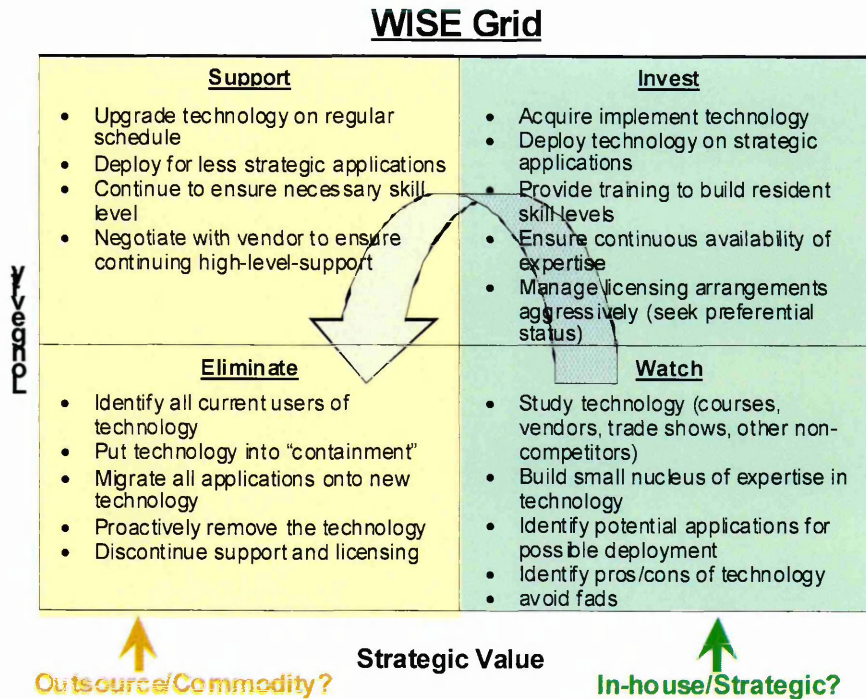
2.6.4 Applying the WISE Grid to IT Outsourcing

Building on the idea of 'IT as Commodity vs. IT as Strategic', McKeen & Smith (2003) proposed a strategy for managing IT using the WISE grid. Cronk & Sharp (1995) separated the IT function into IT Services and IT Infrastructure. For the latter, they argue that outsourcing is appropriate at the beginning and end of the technology lifecycle. This seems to align somewhat with the WISE Grid, where the potential strategic value of a technology is considered to reduce over the lifetime of the technology (McKeen & Smith 2003). At the beginning, as an emergent technology, consultants could be used. Towards the end, outsourcing would be appropriate, as the technology would have matured and taken on the attributes of a commodity. For IT Services, a similar approach is taken, with each system broken down and categorised as one of supply, maintain, broker or contract out. Broker or contract out is defined as being provisioned by a resource external to the organisation. Given this partition, could the WISE Grid be divided along the same lines? Figure 2.5 depicts the application of the WISE Grid to the IT Outsourcing decision along the lines suggested by Cronk & Sharp (1995).

The idea of strategic value within the WISE Grid elements hints that it could be applied in other ways. Instead of looking at technologies, perhaps the grid could be used to view IT capabilities, functions or systems. For example, could the Watch/Invest half of the grid (Figure 2.5) be categorised as 'IT as Strategic' and the Support/Eliminate half be considered as 'IT as Commodity'?

In summary, is the WISE Grid a more comprehensive framework than the IT Strategic Diamond on which to base outsourcing decisions? Compared with the IT Strategic Diamond, the WISE Grid highlights a number of issues. The main issue with the WISE Grid is its inflexibility; it focuses on technology rather than IT functions or systems, assuming that existing functions and systems can be adapted easily to leverage the new technology. Although it could be adapted to focus on IT functions and systems, the idea that these follow a fixed path through the grid is misleading. As has been articulated earlier, it is possible for a function or system

that is considered as non-competitive become competitive again as the result of changes or additions.



(Adapted from McKeen & Smith, 2003)

Figure 2.5 The WISE Grid

The IT Strategic Diamond allows the classification of an IT function or an IT system within one of the four areas; transformation, competitive, sustaining or underpinning. This allows an organisation to then identify and concentrate on those functions or systems that are classified as Competitive. The IT Strategic Diamond is also flexible; it allows functions and systems classification to change over time, for strategic to commodity or visa-versa. If an organisation were to use the IT Strategic Diamond to track the progress of functions and systems on a regular basis it could not only provide an input into the outsourcing decision process, it could also illustrate if the organisation is gaining competitive advantage through the use of IT.

2.7 Discussion

The apparent 'disconnect' in literature between IT and the organisation is attention grabbing. Zsu et al (2001) were one of the few authors to suggest that the

outsourcing process starts with a business plan,

"The decision to outsource a function, like many other business decisions, should start with a sound business plan. This plan should adequately identify all costs associated with the current method of conducting business and all costs that are anticipated once outsourcing is deployed. It should also document other factors involved or considered when determining the feasibility of outsourcing." (p374)

This enforces a point made earlier, that IT strategy cannot be made in isolation, and it has to be created because of the overall business strategy.

Fowler and Jeffs (1998) advocate that, rather than IT being seen as a commodity that can be outsourced, there are deeper-rooted organisational drivers for outsourcing. User frustration and cultural alienation between IT and senior management can lead to the business desire to make a radical change in terms of its relationship with IT. The desire within an organisation to initiate change can be for a number of reasons. Outsourcing could be seen as merely another way of instigating change within an organisation (Handley & Benton 2009).

One of the key questions is what initiated the desire for change – what factor or factors contributed to the trigger for a review of the existing IT arrangements? Once again, the question is *'why change?'* The decision to outsource is the strategy, not what to outsource. The level of outsourcing to undertake, be it selective sourcing or total outsourcing, is the strategy – what is outsourced can then be categorised as commodity or strategic.

Quelin & Duhamel (2003) argue that outsourcing goes beyond business strategy and lies within the area of corporate policy, because any outsourcing agreement with a vendor modifies the organisation's boundaries as a legal entity. It also affects

"...company-wide resource allocation policies and asset management practices, outsourcing decisions often involve several divisions in large, diversified companies..." (Quelin & Duhamel 2003, p647)

Bahli & Rivard (2003) go further, stating that the 'relatedness' between the client and the vendor can have an adverse effect on the client's business performance. Two types of relatedness were identified, direct or indirect links to an in-house IT operation and direct or indirect links to another outsourced IT operation. The risk

identified was that clashes between areas could lead to the organisation's ability to deliver its own products could be compromised. It would seem, then, that the issue of 'IT as Commodity' verses 'IT as Strategic' has a knock-on effect for the management of the contract and the importance of the service relationship. If IT is seen as commodity, a standard management contract controlled by a formal contract may be seen as sufficient, as 'IT as commodity' is seen as simply another utility service (Jahner & Kramer, 2007). 'IT as strategic', however, would require additional controls and a different type of service relationship. Although formal, contractual arrangements were important, informal mechanisms became more critical the more strategic the arrangement was considered by the parties (Jahner & Kramer, 2007).

One thought though - is outsourcing actually a strategic element? Lacity & Hirschheim (1993), for example, stated that an outsourcing vendor could never be a strategic partner because the profit motive is not shared. One of the most common reasons given for outsourcing is to cut the cost of providing IT services to the business (Kremic et al 2006) with outsourcing justified using Transaction Costs Theory (Gottschalk & Solli-Sæther 2005, Tiwana & Bush 2007). This is typically the definition of improving operational efficiencies (Porter 1996), it is not business strategy.

Figure 2.6 represents the subject areas deemed as important to this literature review of outsourcing. It illustrates how each of the areas has an association with others and can influence decision made in that area.

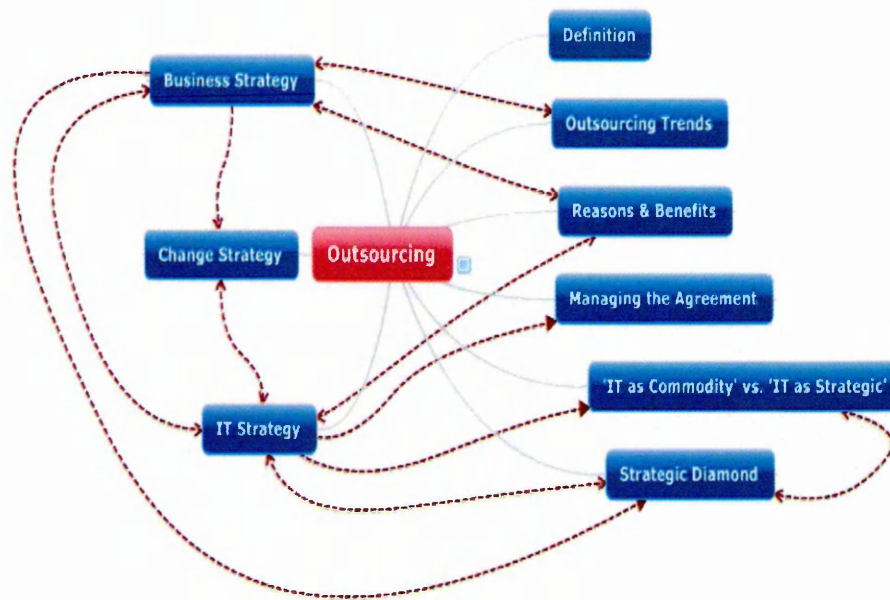


Figure 2.6 The IT Outsourcing Domain

Finally, it is interesting to note that although there is a body of research on the effects of outsourcing on the elements of an organisation being outsourced, there appears little coverage of the effects of the outsourcing decision on the rest of the organisation. This would seem to be an area ripe for exploration, but was considered to be out of scope of this research.

2.8 Summary

Strategy seems to be more than just planning for the future (Johnson et al 2011), this is an activity carried out by every organisation – does this make it strategy? Concentrating on core competence, often quoted as one of the main reasons for outsourcing, can result in missing core competencies of the future (Porter 1996). As has been noted in the discussion on strategy, core competencies do not last forever, strategy is also about being able to react and move beyond your competitors (McFarlan & Nolan 2003). If the organisation is tied to a restrictive outsourcing agreement, it may be limiting the opportunity to innovate in the future. Brown & Hagel (2003) maintain that the strategic impact of IT investment lies in the

cumulative effect of continued initiatives to innovate business practices.

The level of change within an organisation would also seem to be dictated, to a certain extent, by the IT sourcing strategy. The degree of outsourcing can set the type of change the organisation faces, be it evolutionary or revolutionary. Outsourcing the whole of IT could be seen as a revolutionary change brought about by a change of business strategy, whereas selective outsourcing, where only a specific area is outsourced, could be evolutionary in nature. The issue here is how much selective sourcing then makes it revolutionary. This could be judged on many levels; percentage of IT budget, the effect of the changes on the IT department and the rest of the business. One way might be to ask the question "does it change fundamentally the business processes?" If the answer is yes, then the effect on the rest of the organisation alone makes it a revolutionary change.

So, it seems that strategy and a requirement for change are both pre-cursors of an outsourcing decision, but is a decision to outsource a strategy or just a desire to improve operational effectiveness? Returning to Porter (1996), operational effectiveness is all about doing similar things better than the competition. This seems to encapsulate 'IT as Commodity'. 'IT as Strategy' is, in a nutshell, about undertaking similar activities in a different way (IT enabled change) or different activities altogether (IT driven change). Again, it seems that Porter's (1996) definition of strategy applies to IT strategy as well.

Given that outsourcing and backsourcing represent opposites in terms of IT sourcing decisions, two questions come to mind; are the stages completed for each the same and do these stages re-occur whenever a decision is taken to review the sourcing of IT?

3 Exploring IT Sourcing as a Cycle

This Chapter looks at the formation of an IT Sourcing Cycle through analysis of outsourcing literature. This Cycle is then validated by applying it to Backsourcing. Other options available at the end of an outsourcing agreement are reviewed. Finally, the difficulty of measuring the effectiveness of a vendor service relationship is discussed and the SERVODYN instrument for measuring Service Performance, Quality and Relationship is proposed to address this.

3.1 Reflecting on Outsourcing Literature – the Sourcing Cycle

During a review of current literature on IT outsourcing, it became clear that the authors have varying perspectives, from looking at the outsourcing decision in terms of motives, risks, benefits and process (Earl 1991, Pinnington & Woolcock 1995, Loh & Venkatraman 1992a), to looking at contract and relationship management (Kern & Willcocks 2000, Kishore et al 2003).

What emerges from analysing numerous articles on outsourcing is that they can be broadly divided into categories based on the timeline of the outsourcing process, the researcher 'hunch' or hypothesis was that there were broadly three phases in an outsourcing process; decision, transition and operation. To validate this, an analysis of literature was completed, the objective being to confirm the hypothesis.

3.1.1 Research Method

The next issue to be addressed was how to carry out the analysis of the literature in scope. Meta-analysis was considered, but discarded as an approach because it is a method to summarize and compare the results of a large number of quantitative studies on a particular topic (Bryman & Bell 2003). Content analysis was then examined as a suitable approach. Silverman (2006) stated that content analysis was an accepted method of textual investigation. Originally associated with a quantitative research strategy, a definition by Bryman (2008) seems to suggest that,

"Content analysis is an approach to the analysis of documents and texts that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner." (p275)

Silverman (2006) noted the difference between quantitative and qualitative content analysis, with the former concerned with statistical analysis and the latter with reporting extracts that illustrate particular categories. Easterby-Smith, Thorpe & Lowe (2002) noted that a content analysis of qualitative data is time consuming. More importantly, for the analysis of the articles used by Gonzalez et al (2006), the categorization scheme was based on content and not context. The preference, therefore, was to use quantitative content analysis.

Bryman (2008) and Silverman (2006) broadly advocated the same approach to quantitative content analysis; select texts, construct a coding frame, code all materials and analyse data. Following a deductive approach, the coding frame was based initially on the phases of outsourcing proposed by Lever (1997). It became clear during the early stages of analysis, after an initial pilot of 10 articles, that it was difficult to split the 'Discovery' and 'Negotiation' phases, as it appeared that they both dealt with what could be considered the outsourcing 'decision'. Similarly, Lever's (1997) 'assessment' phase could be best summarised as contract 'operation'. It was at this point that the idea of Decision, Transition and Operation as the three distinct stages of an outsourcing process emerged.

3.1.2 Selecting Articles for Analysis

The selection of journal articles to include as part of the analysis posed a conundrum - how to avoid selecting journal articles that 'fitted' the hypothesis. It has clearly not been feasible to review all articles published on outsourcing since its emergence in 1989 - the sample size is simply too vast. A number of approaches were then considered, from limiting the timeframe of the articles through to limiting the journals to review. Finally, a decision was taken to re-examine an analysis of outsourcing literature undertaken by another author.

Two reviews of literature published in 2006 were identified as potential candidates

- Kremic et al (2006) and Gonzalez et al (2006). It is acknowledged that although such an approach avoids bias in the article selection process on behalf of this researcher, it would not avoid any bias introduced by Kremic et al (2006) or Gonzalez et al (2006).

Kremic et al (2006) undertook a review of 206 publications using a 'decision support framework'. On closer inspection, the 'decision support framework' was used to analysis the outsourcing benefits, risks, motivations or factors, seeming to limit the scope of publications to the decision process (Kremic et al 2006). It also became clear that the publications included non-peer reviewed 'trade magazines', such as 'Computerworld', 'Management Today' and 'The Practical Accountant'. Some of these articles were just reporting on trends within outsourcing or agreements that had been signed. Because Kremic et al (2006) concentrated on the decision phase and partially used non-peer reviewed literature; a decision was made not to use this study as a basis for further investigation. The purpose of the study was to look at all the stages of outsourcing, not just concentrate on the decision stage.

Gonzalez et al (2006) set the aims of their review as to analyse the literature to identify the main topics and the methodologies most often applied to the study of outsourcing, choosing 131 journal articles for review. They stated that,

"The paper thus provides a review of articles about IS outsourcing published in the most prestigious journals of the IS area and journals of Management or Business."
(Gonzalez et al 2006, p821)

Gonzalez et al (2006) did not restrict the scope of the review to one particular phase or subject area and the majority of the articles came from peer-reviewed journals or reputed journals on Management or Business, such as the 'Harvard Business Review' or 'California Management Review'. A decision was therefore made that the articles used by Gonzalez et al (2006) would form the basis for further analysis. A full list of references and articles used was available after an exchange of emails with the corresponding author.

3.1.3 Article Analysis

Using Gonzalez et al (2006) as the source for the articles to be analysed resolved one of the issues in terms of article selection. The final criteria for the selection / omission of an article were carried out as part of the analysis itself – did the article actually discuss some aspect of the outsourcing process. This aspect is included as part of the findings of the overall analysis, with this group of articles defined as being unclassified.

Having finalised the research method and an initial coding frame (the IT Sourcing Cycle), a final decision had to be made – how to carry out the analysis of the articles themselves. The general approach applied to categorise the articles was that used by Swanson & Ramiller (1993). As with Swanson & Ramiller (1993), the interest in each of the articles was its 'substantive content', i.e. in which of the three outsourcing stages the article could be categorised. The focus was primarily on the research question. However, this posed a problem when analysing articles from journals such as the Harvard Business Review. Consequently, the analysis of each article was widened to include the abstract, introduction, discussion section, and conclusion. Each article was read and analysed to determine the research questions or objectives and the stage of outsourcing under discussion or research. This stage of analysis did require a degree of interpretation, but it was found that most of the articles could be placed within categories without too much ambiguity. Each article obtained was analysed to ascertain the general area of the outsourcing process it covered based on the areas under discussion. For example, articles discussing motives for outsourcing were considered as dealing with the decision phase. Table 3.1 lists the keywords and concepts associated with each stage of the outsourcing process. It should be noted that some keywords and concepts appear in more than one stage, the differentiator in this case is the context in which the keyword or concept is used. For example, Service Level Agreement can apply to decision (when discussing the construction of a contract) or operation (when discussing the actual performance of the vendor).

Decision	Transition	Operation
<ul style="list-style-type: none"> ✓ Cost savings ✓ Greater flexibility ✓ Concentrate on core competencies ✓ Augment staff ✓ Quality improvement ✓ Internal politics ✓ Setting of SLA's 	<ul style="list-style-type: none"> ✓ Knowledge management ✓ Knowledge transfer ✓ Transfer of staff ✓ Additional costs of transition ✓ Opportunistic behaviour 	<ul style="list-style-type: none"> ✓ Hidden costs ✓ Loss of control ✓ SLA measurement ✓ Relationship management ✓ Loss of knowledge ✓ Vendor politics ✓ Re-negotiation ✓ Opportunistic behaviour

Table 3.1 Article Analysis – Keywords and Concepts

These keywords and concepts were also validated against, for example, the reasons for outsourcing. The theories mentioned earlier in Section 2.4.2 could be applied in a number of contexts. Transaction Cost Theory, for example, could be used as justification for outsourcing, or as a measure of outsourcing success. Theories are also used as a 'lens' on the area being scrutinised and could be applied to any of the phases of the outsourcing cycle. The use of these theories has therefore been excluded from Table 3.1.

3.1.4 Analysing Gonzalez et al (2006)

Of the original 131 articles analysed, 15 were unclassified due to either not looking at the outsourcing process or dealing generically with issues such as contract workers or general trends in outsourcing. This left 116 articles for classification. The central hypothesis for the coding frame and analysis, depicted in Figure 3.2, is that outsourcing can be divided into three stages that could be perceived as cyclical in nature.

Looking at the results of the analysis (Table 3.2), the most striking aspect was the pre-dominance of articles that covered the outsourcing decision. These accounted for nearly half of the articles; well over half when also including those articles that were classified as covering both decision and operation.

One facet that may explain the bias towards decision is the year in which the articles were published. For those covering the decision stage, 40 out of the 60 articles were published prior to the year 2000, with another seven of the 10 covering decision and operation. This may be of relevance given the

acknowledged 'start' of outsourcing in 1989 with the Kodak-IBM agreement (Loh & Venkatraman 1992b). The 'collective academic consciousness' may have been focused on the drivers for outsourcing, rather than how outsourcing operated within organisations, in the early stages of outsourcing adoption. In the articles used by Gonzalez et al (2006), this seemed to be confirmed by only 17 of 44 articles covering just the operation stage appearing in the same time period (i.e. prior to 2000). As further confirmation, in 1995 only 4 of 17 articles covered just operation, whereas only 4 out of 14 articles covered decision in 2004 in what appears to be a potential switch of emphasis. This seems to confirm the shift in literature from reducing cost to strategic intent noted by Dibbern et al (2006), and validates somewhat the choice of source for the article analysis.

Outsourcing Stage	No of Articles	Percentage of Total
Decision only	60	45.8
Transition only	0	0
Operation only	44	33.6
Decision and Operation	10	7.6
All stages	2	1.5
Unclassified	15	11.5
TOTALS	131	100

Table 3.2 Gonzalez et al (2006) Article Analysis

In conclusion, it seems that the hypothesis that outsourcing literature can be segregated into three stages is a valid one. Each of the stages has specific objectives and outcomes, each feeding into the next stage in the cycle. However, how does this cycle compare with others that have been proposed?

3.1.5 Considering Alternatives to the IT Sourcing Cycle

Lever (1997) divided the outsourcing relationship into four specific phases - Discovery, Negotiation, Transition and Assessment. Others considered that Discovery and Negotiation were two parts of the same stage (Quelin & Duhamel 2003, Mantel et al 2006). Zsu et al (2001) separated the outsourcing process into four stages - business plan, the developing stage, the implementation stage, and the post-outsourcing review. Dibbern et al (2004), in a thorough analysis of outsourcing literature, divided the outsourcing process into two main areas; the decision process, covering the why, what and which questions and the

implementation process, covering the how and outcome areas. This was also based on the decision model proposed by Simon (1960). Dibbern et al (2004) appeared to cover the outsourcing decision process and the way the resultant agreement would be managed, but did not seem to consider the transition to the vendor. This could be considered as the transition from the original state to the desired state, what Lewin (1951) terms as the change phase. An initial mapping analysis of the phases of outsourcing proposed by various authors presented a confusing picture, as illustrated by Figure 3.1.

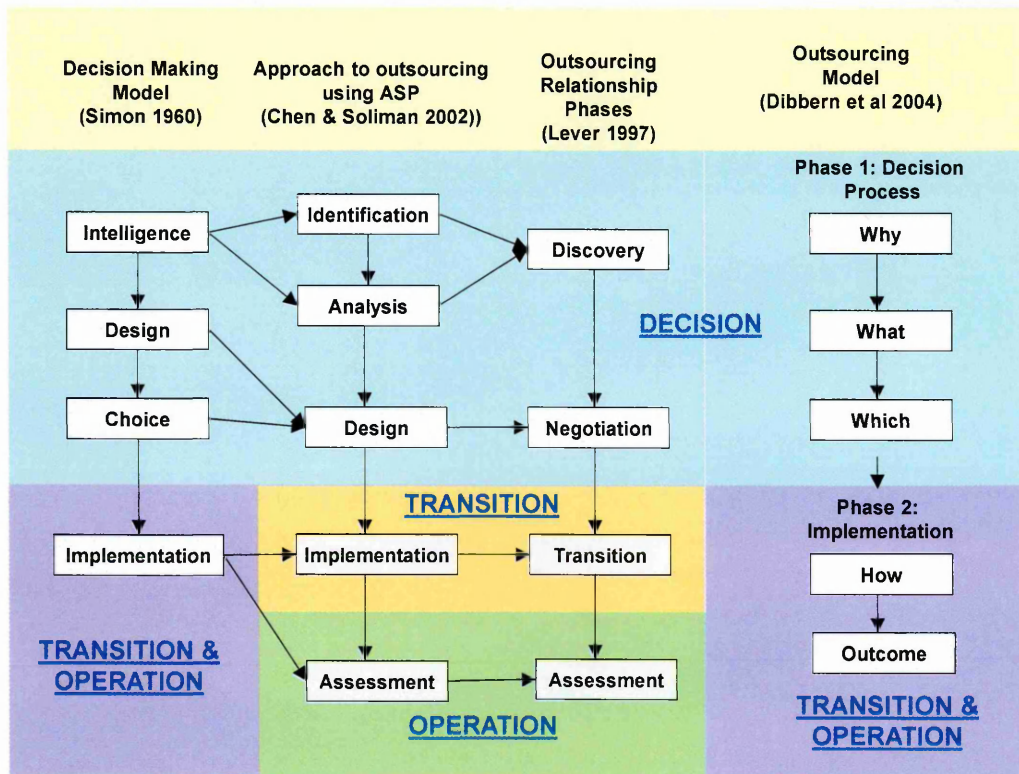


Figure 3.1 IT Stage Mapping

It seemed that although broadly the same stages were employed. Activities were used in different combinations and, in the case of Simon (1960) and Dibbern et al (2004), transition was almost completely ignored. Even those that seemed to have a transition phase (Lever 1997, Chen & Soliman 2002) placed little emphasis on it.

Cullen et al (2006) proposed an outsourcing lifecycle that listed all the tasks necessary, in their view, to complete a successful outsourcing project. The outsourcing process was split into four phases, (Architect, Engage, Operate & Regenerate) broken down into nine separate building blocks (Appendix 8).

Cullen et al (2006) defined building block seven (BB7) as Transition and included all of the tasks that would be expected when transitioning some/all of IT to a vendor. Cullen et al (2006) argues that transition is a key phase in the outsourcing process and that if not carefully planned, the transition has a danger of never completing. However, transition's inclusion in the Operate phase seems to exemplify the background of the main author (that of a consultant). Transition would fall into the operate stage for the vendor, but would it be the same for the client? Although this model is one of the few to recognise the cyclical nature of IT sourcing decisions, as well as acknowledging that action has to be taken at the end of an agreement, it suffers from a bias towards the Decision phase of outsourcing similar to that noted earlier in outsourcing literature in general.

Although Sara Cullen (Cullen et al 2006) is a highly knowledgeable individual within the field of outsourcing, her background is in consultancy. In the author's experience, a consultancy background (the author worked for a consultancy for several years) enforces the notion of rigidity of process – steps that need to be followed in order to complete a project. This is further validated by the final stage in the Outsourcing Lifecycle Model (Cullen et al 2006), regenerate (also referred to as BB9: Refresh). In an organisation practicing outsourcing (total or selective), the progress and success of the agreement would be reviewed at regular intervals. In the experience of the author, this occurs annually, as a minimum, when looking at budgets for the following year. Organisations also carry out regular strategic reviews, these would include a review of IT performance. It would seem, then, that the final stage of the Cullen et al (2006) cycle is superfluous.

Looking at the comparison of the Outsourcing Lifecycle Model (Cullen et al 2006) and the proposed IT Sourcing Cycle (Figure 3.2), it is apparent stages do not match. The lack of a specific transition stage seems to validate the findings of the literature research and the analysis of the Gonzalez et al (2006) articles, where the transition stage seemed to be largely overlooked or trivialised. Within the IT Sourcing Cycle proposed by the researcher, Transition is illustrated as an equally important stage alongside Decision and Operation.

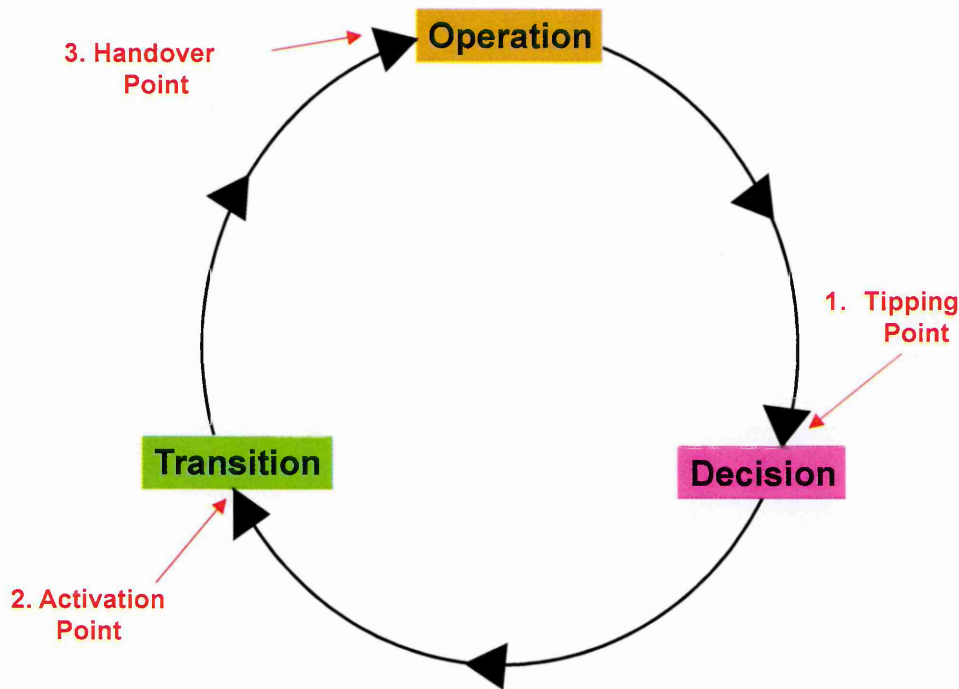


Figure 3.2 The IT Sourcing Cycle

One final refinement was made to the IT Sourcing Cycle. Cullen et al (2006) noted that the dividing lines between the four phases of the Outsourcing Lifecycle Model can often be blurred, transition tasks taking place whilst the final details of the contract (engage phase) are being carried out. For the IT Sourcing Cycle, however, it is perceived that the three stages are divided by specific points or actions (Figure 3.2). Thus;

1. Tipping Point – the point at which the conclusion is reached that the IT sourcing arrangements need to be reviewed.
2. Activation Point – the point at which the contract with the proposed vendor is agreed (contract signed) and transition can start.
3. Handover point – the point at which the client officially relinquishes control of the area of IT subject to the outsourcing agreement and the vendor takes control.

The introduction of the '3 points' clearly delineates the phases of the outsourcing cycle, creating a focus for the end/beginning of each phase.

The final stage of the analysis process was to look at what the characteristics were of each of the phases proposed. Given the analysis of the articles, what type of activities would be included in each of the stages proposed?

3.1.6 The Outsourcing Decision

The decision to outsource IT usually starts with a review of the current IT arrangements (Lever 1997). Kremic et al (2006) proposed an outsourcing decision framework that appears to encapsulate the decision process. However, this framework could be seen as incomplete on three fronts. Firstly, it implies that once the decision is taken not to outsource the process is at an end. Benko (1993) points out that

“An in-depth outsourcing evaluation can in itself be an agent of change. The process may be therapeutic, serving as a catalyst for performance assessments and quality improvements.” (p45)

This supports the point made by Hirschheim and Lacity (2000) that the IT sourcing review process can lead to changes in the internal IT without actually resulting in outsourcing. Secondly, it implies that all organisations have a starting point of no current outsourcing arrangements. Outsourcing as an IT option in its current form has been around for over 20 years, so this assumption would seem unrealistic for many organisations. Lacity & Willcocks (2001), for example, found that around a third of companies studied had cancelled outsourcing contracts. Finally, the motivation for outsourcing seems to miss a key point – what was the trigger for a review of IT in the first place? What factor or factors contributed to the tipping point that led to a review of the existing IT sourcing arrangements?

Outsourcing has been seen by many organisations as the solution to real or perceived organisational issues with IT. It would seem that a move from Operation to Decision in the IT sourcing cycle can be summarised as a desire for change with the tipping point having a number of contributing trigger factors, any one of which may be ‘the straw that broke the camel’s back’. Changes to the overall organisation have often precipitated changes in IT sourcing strategies. Mergers and acquisitions are bound to force the newly created organisation to review IT,

not least because there may be two departments that need to be merged (McLaughlin & Peppard 2006). However, it is when organisations are not driven by such events choose to change IT sourcing arrangements that the interest lies, particularly in terms of bringing back in-house a previously outsourced IT provision. This is discussed in more detail later in the Chapter.

The overall IT sourcing decision has moved beyond the Outsourcing Decision Framework proposed by Kremic et al (2006). The 'outsource or not to outsource' model is unrealistic given the starting point for a number of organisations is outsourced IT. McLaughlin & Peppard (2006) proposed a simple model for the review of the outsourcing decision. However, Figure 3.3 represents a framework that recognises a number of possible starting points for an organization's IT sourcing cycle and the factors that contribute to the decision making process.

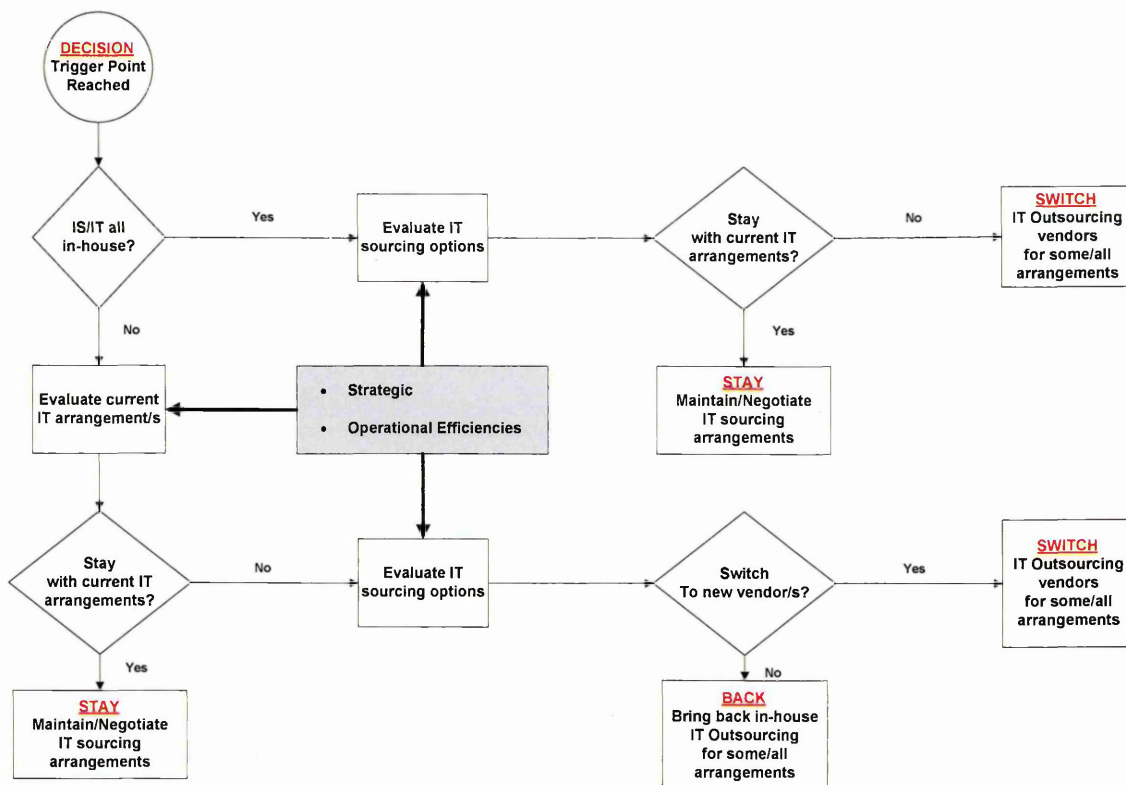


Figure 3.3 The IT Sourcing Decision Framework

Whether an organisation is considering outsourcing for the first time or reviewing existing outsourcing arrangements, the framework recognises that the decision making process is essentially the same.

In summary, an organisation carrying out a decision making process has three options; stay with the existing IT provision, switch from in-house to outsourcing (or to different vendors if outsourced) or bring outsourced IT back in-house. Once the Decision phase has been completed there is an Activation Point, the point at which the agreement is activated and the Transition to the vendor commences.

3.1.7 The Outsourcing Transition

Once the decision has been made to outsource some or all of an organisation's IT, the next stage of the IT sourcing cycle in this context would be the Transition. This is the movement of that aspect of IT that is subject to the change – the processes and procedures followed and the decisions made to effect the transition.

This phase is effectively the organisational change required to get from 'where we are' to 'where we want to be'. If an organisation decided not to outsource, for example, this may still represent changes to the organisation highlighted as required/desirable by the review process that took place in the decision phase. Hirschheim & Lacity (2000) state that

"The outsourcing threat may overcome political obstacles and allow IT managers the freedom and power to propose and implement drastic cost cuts." (p107)

These changes in internal structure would still represent a change in the organisation and transition would be necessary – it would just not be to a vendor but to a new internal structure.

As has been previously mentioned, searches within outsourcing literature indicated the transition stage of outsourcing, although acknowledged, did not appear to have been the focus of significant research. This was also confirmed, to a certain extent, through the analysis of the Gonzalez et al (2008) articles in a previous section of this chapter. The lack of research within this area could be for a number of reasons, perhaps lack of access to what could be considered a commercially sensitive area for the vendor or because procedures and methods rely on those requirements of the vendor taking over the area being outsourced. One illustration of how this stage in the outsourcing cycle has been overlooked can be found in Mahnke et al (2005). Here, the authors look at the IT outsourcing

process but go straight from decision to outsourcing management. Bahli & Rivard (2003) briefly mention transition when looking at the risks of outsourcing, but only in the respect of unexpected transition and management costs. The antecedents to unexpected transition costs are said to be related to the outsourcing organisation's lack of expertise with the outsourced activity and lack of expertise of outsourcing (Bahli & Rivard 2003), a stance with which Klepper & Jones (1998) concur.

So what could be important during the transition phase that requires a different approach? Gottschalk (2006) maintained that knowledge management was key in the transfer of operations between the two parties taking part in the relationship. Research by Gong et al (2007) seemed to confirm that the transfer of people and knowledge to the vendor was an area that needed to be actively managed. However, it is difficult to ascertain if knowledge management is key to the transition phase given the lack of research in the area. Of the 131 articles previously reviewed from Gonzalez et al (2006), only two were categorised as discussing transition, and in both cases the articles discussed all phases of an outsourcing agreement (Huber 1993, Lee 1996).

Barthélemy (2001) found that transition costs have been often more than organisations expected and, frequently, organisations could only quantify the transition in terms of elapsed time. Gong et al (2007) also found that good transition management could strengthen the commitment and trust between the two parties. However, as with the majority of articles that did cover the outsourcing transition, it was discussed as part of other processes and not covered as a phase in the outsourcing process in its own right.

A final observation on the way transition has been dealt with in research. The limited articles that highlighted transition were all an 'after the event' judgement based on the 'outside looking in'. In all it was a case of what the organisation under investigation was willing to reveal. This does not necessarily provide the full picture as will be illustrated in Chapter 7.

Once the Transition is complete, there is a Handover Point, the point at which the

vendor takes over the day-to-day operation of the area subject to the outsourcing agreement.

3.1.8 The Outsourcing Operation

Operation corresponds to the assessment phase proposed by Lever (1997) and implementation phase in the outsourcing model of Dibbern et al (2004). Implementation can be defined as 'to perform' or to 'carry into effect' a contract or agreement (Dibbern et al 2004). However, this stage of outsourcing is about the operation of the agreement and implementation does not seem to emphasize this. A differentiation has also been made in terms of name from Lever's assessment phase that seems to apply to outsourcing. 'Operation' is the name adopted by ITIL V3 for this stage of the IT lifecycle and can apply to any IT sourcing arrangement moving forward - whether it be outsourcing, backsourcing, maintaining the current IT sourcing arrangement or switching vendors for an existing outsourcing agreement (Iqbal & Nieves 2007) .

Operation could also be seen as the 'status quo' in terms of organisational change. Essentially the organisation is moving forwards with the IT structure that was set in place by the transition phase, but would be subject to adjustments as the agreement progresses. This stage of the IT sourcing cycle, in some ways, represents the biggest management challenge in the outsourcing process for an organisation - the movement from managing the IT process to managing an outsourcing contract (Fenny & Willcocks 1998). Looking at the cycle from the prospective of introducing change, it could be argued that the Operation phase is actually the start of the IT sourcing cycle. Operation would be the steady state proposed by Lewin (1951), where reaching the tipping point would move an organisation from Operation to Decision, from steady state to "unfreeze" (Lewin 1951).

Finally, the end of the contract or the desire of an organisation to terminate or re-negotiate an existing contract, represents a move in the cycle to the decision phase again, what McLaughlin and Peppard (2005) term the 're-evaluation point'. Where this re-evaluation leads to bringing the IT function back in-house, the organisation is participating in what has been termed as the '*in- and outsource cycle*' (Verhoef

3.1.9 Applying the IT Sourcing Cycle

When re-evaluating an outsourcing contract, an organisation has three options; stay with existing vendor, switch vendors or backsource. Which of the reasons for IT back sourcing decision listed in Table 2.9 were more important in terms of the final decision to stay with the existing vendor, switch vendors or backsource? It may not be possible, as Veltri et al (2008) suggests, to find the most important reason. However, the Case Study and Survey attempts to do so.

It is interesting that Whitten & Leidner (2006) is one of the few studies to look at the reasons why an organisation might switch outsourcing vendors. This study did not investigate the reasons for switching vendors rather than back sourcing, concentrating on product, service and relationship quality and switching costs as potential indicators. It would seem, though, that if the choice is to backsource, there is a Decision process that has to be undertaken.

Turning the attention next to transition in terms of the back sourcing process, while outsourcing IT vendor is experienced in transition, as it would be something completed on a regular basis for numerous clients. For an organisation back sourcing IT, it may be an activity that they have never completed before and would therefore require a huge learning curve. Veltri et al (2008) confirmed this by stating that back sourcing is not easy, and requires significant expense and expertise by the organisation bringing its IT back in-house. Allen and Chandrashekar (2000) noted that there are differences between outsourcing manufacturing and services. For services, it was noted that

“Transition is more visible, requires more communication to minimise problems; disruption is often unavoidable because services cannot be stored and new contractors are introduced to the site.” (p27)

Allen and Chandrashekar (2000) noted the risks of transitioning services to an outsourcing vendor; it would seem this applies to back sourcing also. Bringing outsourced IT back in house could be seen in the same light as a company merger or acquisition; the longer the agreement the further apart the outsourcing

organisation and the outsourced IT personnel would become. Cartwright & Cooper (1993) talk of the need for cultural compatibility between organisations that participate in mergers or acquisitions, citing that this incompatibility sometimes leads to failure. It was found that the ability to integrate the new company was seen as the most important factor for acquisition success (Cartwright & Cooper, 1993). This implies that a successful backsourcing process would also require successful re-integration of the backsourced IT into the rest of the organisation. This gives rise to two questions; is Transition more problematic for backsourcing than outsourcing and is the Operation stage different for outsourcing and backsourcing. These questions are addressed as part of the Case Study.

It could be argued that backsourcing suffers from similar issues during the transition phase as have already been identified for outsourcing transition by Cullen et al (2006), such as ensuring there is a viable sourcing alternative in place. This implies that the Transition phase is important for the overall success of the backsourcing process. However, such a position would need to be verified in further research.

The Operation phase for backsourced IT would be the same as any organisation with an in-house IT provision, bringing with it the same risks, issues and management challenges. Post-transition in backsourcing, integrating the IT Division back into the business organisation with a new management structure would seem to be one of these challenges. Changing the management function from monitoring an outsourcing agreement to managing the IT function requires a completely different skill set (Feeny & Willcocks 1998). A good analogy for this is a little like going everywhere in a taxi then having to learn to drive yourself. However, once the IT function had been transitioned back in-house, this would be considered as 'business as usual'.

Figure 3.4 represents the Backsourcing framework in terms of the areas to be the focus of investigation for the Case Study and Survey research.

Finally, what is not known from the various press releases and other secondary

data on back sourcing collected by McLaughlin & Peppard (2006), Veltri et al (2008) etc. is what precipitated the change in IT strategy. Was it because of a major shift in business strategy or maybe because of a breakdown of relationship with the vendor? Neither of these reasons would likely to be disclosed to the wider world on commercial grounds (Overby 2003). It would seem that the lack of recent data on the number of organisations that have subsequently back sourced after outsourcing is an area for further research. This is addressed by the Survey.

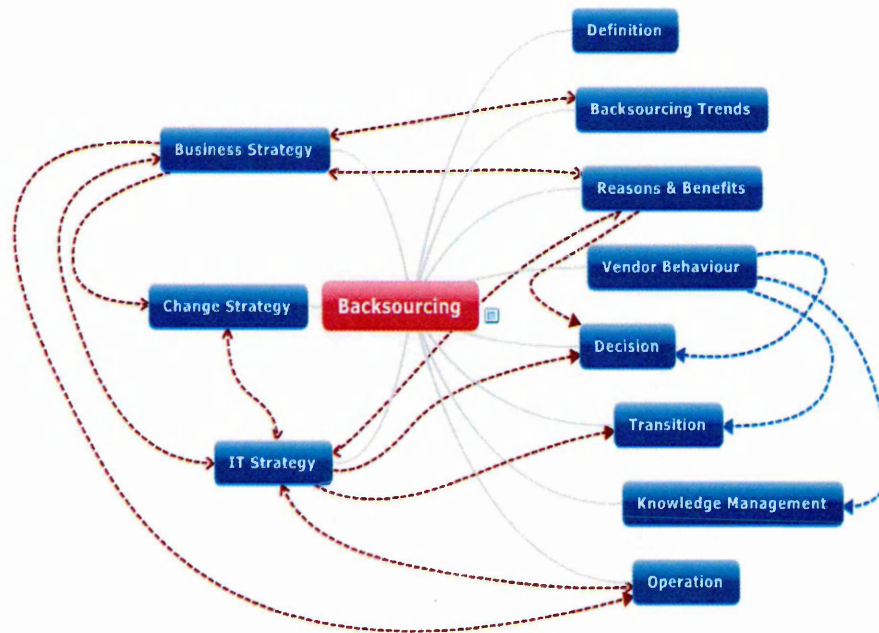


Figure 3.4 Backsourcing Framework

The important point to consider is that most of the previous research on back sourcing has concentrated on 'the outside looking in', as is discussed in Chapter 4 and 5; an opportunity arose to study back sourcing 'from the inside'. This was to provide insights that were hitherto unavailable.

3.1.10 Summary

Upon first examination, it would seem that the stages of outsourcing; decision, transition and operation fit the IT Sourcing Cycle proposed in an earlier section in this chapter. The cycle seems to fit neatly with Lewin's (1951) three phases of

change. Moreover, the expansion of Lewin by Schein (1988) seems to be a closer fit to the IS/IS Sourcing Cycle. Schein (1988) proposed that the stages of change overlapped and labelled them unfreezing, changing and refreezing. This seems to reflect closer the way the outsourcing process would work within an organisation. Although the signing of the outsourcing contract may represent the move from decision to transition, in reality discussion with staff would already be taking place. This 'fluidity' at the edges of the stages could be illustrated by the move between unfreezing and the changing stage. Schein (1988) saw the changing stage as involving "cognitive restructuring", where organisational members have to see things differently and act differently as a result. In outsourcing, staff being made aware of an impending outsourcing agreement would definitely see things differently, something verified by the researcher's own experience. This seems to encapsulate the idea of transition in respect of the outsourcing process.

Reviewing the Backsourcing process through application of the IT Sourcing Cycle seems to confirm that the Cycle is applicable to both outsourcing and backsourcing. Whether IT is in-house or with an existing vendor, the tipping point for the Decision phase is when a judgement is made at a senior level within the organisation that the existing IT provision needs to be reviewed.

3.2 Stay or Switch – Deciding on the Future

If an organisation chooses to review their IT sourcing arrangements, the decision, initially involves one of two options; keep to the existing arrangements or switch to a new one. Whatever the starting point, be it in-house or outsourced IT, the start of the decision phase is broadly the same. Bearing in mind that it seems, from the results in Table 2.9, the reasons for backsourcing were similar to those given for outsourcing, what could sway a decision to switch vendors or backsource?

3.2.1 Switching Vendors

Up to this point, the IT sourcing decision has been discussed in terms of either outsourcing or backsourcing. If IT is outsourced, the other possibility is to switch vendors. Why would an organisation choose to change vendors either during or at the end of an existing outsourcing agreement? A list of reasons for switching

vendors was constructed from literature and, like the reasons for back sourcing, seemed very similar to the reasons given for outsourcing.

Whitten & Leidner (2006), in one of the first empirical studies to look at back sourcing or switching vendors, found that high levels of product quality and service quality seemed to drive the decision to switch vendors. It was also stated that those that chose to switch vendors also had low levels of switching costs and relationship quality.

Reason	Identified by Author/s	Category
Change in organisation strategy	Whitten & Wakefield (2006)	Strategic
Changes within organisation (merger or acquisition)	Lei & Hitt (1995)	Strategic
Outsourced systems did not keep track with technology change	Whitten & Leidner (2006), Goo et al (2007)	Strategic
Changes within organisational Senior Management	Whitten & Leidner (2006), Barthélemy (2003)	Operational efficiencies
Cost savings did not materialize	Barthélemy (2003), Whitten & Leidner (2006), Whitten et al (2010)	Operational efficiencies
Contractual issues with vendor	Goo et al (2007)	Operational efficiencies

Table 3.3 Reasons for Switching Vendors

During such a decision process a number of factors come into play, one of which is the perception of the current IT service provider – be they in-house or a vendor. With a low level of relationship quality identified in those that chose to switch vendors, could this be a determinant on whether to switch vendors or backsource. Could this play a role in the decision to backsource?

3.2.2 Service Performance, Quality and Relationship

During the discussion on managing the outsourcing agreement in Chapter 2, what became clear was the move towards managing an outsourcing agreement not just through the contract and SLAs, but also through the use of relationship management. Service performance and to a certain extent, service quality measurement can be achieved through contract management and the monitoring of SLAs. Poppo & Zenger (2002) found that relational governance was as significant as measurement of an outsourcing agreement by SLAs and that the working relationship between the parties was important. Chakrabarty et al (2007)

found that a high relationship quality between the client and the vendor added to the effectiveness of the outsourcing project. However, as Alborz et al (2003) pointed out, the outsourcing working relationship is a complex and difficult factor to research.

With the contract, SLAs and relationship management all forming a key part of managing the outsourcing agreement, the difficulty is how to ascertain the level of satisfaction or dissatisfaction with a vendor providing an outsourcing service. It could be that the perception of the service being delivered is at odds with the standard methods for measuring the service – Service Level Agreements, legal constraints, service reviews etc. One example of the perception mismatch identified by Ho et al (2003) was that the vendor would not act on tasks that were not covered by an SLA. For the vendor, this was acceptable as they were complying with the contract, but for the client? Goo et al (2008) identified another problematic area that can arise with SLAs – it is possible that the SLA is designed to align specifically with a contract clause, but the clause does not require either party to act if the SLA is breached.

Many outsourcing deals appear to go beyond the buyer/supplier relationship. Grover et al (1995) state that the relationship is often at a strategic level based on mutual benefit. The idea of mutual benefit moves the agreement beyond that of a buyer/supplier relationship and seems at odds with the assertion by Lacity & Hirschheim (1993) that an outsourcing vendor can never be a strategic partner because the profit motive is not shared. This assertion by Lacity & Hirschheim (1993) opens up a huge discussion on whether there is such a thing as a strategic alliance within the field of IT outsourcing and, notably, the difference between mutual benefit and the profit motive. This discussion, however, is beyond the scope of this research.

If a relationship or alliance were seen as strategic, the perception of the agreement by the client would extend beyond that which is measurable by SLAs and moves into the realm of more subjective measurement. It is in this circumstance that the relationship between customer and vendor can break down without either party

being able to articulate why. Grover et al (1996) found that

"The ability of the provider to provide service quality beyond expectations has a significant direct impact on benefit attainment as evidenced by the significant variance explained by service quality." (p105)

It is the aspect of the service quality that could be key when considering the action to take at the end of an agreement. If an agreement is terminated early, it could be postulated that the perception of the vendor's service quality/performance/relationship by the client is negative. If the agreement has reached the end of the contracted period, the decision to renew, switch vendors or backsource could be influenced by this perception of the vendor. Kern & Willcocks (2002) found that it was often subjective measures, such as user satisfaction surveys, that were crucial to judging the success of outsourcing,

"... although services were delivered according to agreement, in many situations they did not satisfy user requirements." (p9)

Subjective measures such as user satisfaction surveys would be in addition to the quality requirements and measures built into the outsourcing contract.

Chakrabarty et al (2007) expanded on the work of Whitten & Leidner (2006) by looking at the outsourcing relationship between the client and the vendor on three levels – service quality, service relationship and user satisfaction. The research appears to support the positive correlation between service quality and relationship quality. However, Szmigin (1993) maintains that the relationship between two organisations changes over time, so both parties have to recognise change and act on it where necessary. The issue is how the service relationship can be measured to create a benchmark and then over time to track the progression of the relationship.

3.2.3 Measuring Service Relationship

If service performance and, to an extent, service quality can be measured largely by contract adherence and SLAs, how can service relationship be measured? For this, it is necessary to look outside the field of outsourcing & IT into other areas of management research. Early efforts at the measurement of service quality first surfaced in the marketing arena. Parasuraman et al (1988) developed an instrument to measure service quality that was subsequently adapted for use in

assessing Information Systems service quality (Kettinger & Lee 1994). Parasuraman et al (1991) looked at customer expectations and asked if they changed over time. They concluded that the customer relationship was central to exceeding customer expectations and that the customer relationship building was

"...process intensive, requiring responsive, assured, empathetic service over time."
(p44)

Parasuraman et al (1991a) saw the purpose of SERVQUAL as a diagnostic methodology for uncovering broad areas of a company's service quality shortfalls and strengths and that provides a basic skeleton for looking at underlying service quality. The importance of using SERVQUAL as a two-part measurement approach to carry out a gap analysis between expected and perceived levels of service was seen as lengthening the survey instrument, but deemed worth it for obtaining the gap scores. Suggestions were made on how to create a one-dimensional instrument that could still provide an element of gap analysis but reduce replication within the survey instrument itself (Parasuraman et al 1991).

The advantages and disadvantages of SERVQUAL have been the subject of substantial debate since SERVQUAL was first advocated by Parasuraman et al in 1988 (Parasuraman et al 1988, 1991, 1991a, Teas 1993, Kettinger & Lee 1994, Cronin & Taylor 1992). It was out of the original discussions that Cronin and Taylor (1992) proposed SERVPERF, a shortened version of SERVQUAL that excluded the 'expected' part of SERVQUAL. Cronin & Taylor (1992) concluded that the 22 performance items advocated by Parasuraman et al (1988) adequately defined the domain of service quality but, along with Teas (1993), raised concerns about the use of the customer perception/expectation gap as the specification of service quality. Parasuraman et al (1994a), on the other hand, state

"SERVQUAL is a tool to obtain a reading of attitude level, not a statement about how the level was developed." (p112)

The point being made is that SERVQUAL was designed to measure perceived service quality, i.e. an attitude level and that it makes no attempt to measure how the level was arrived at by the respondent. This would seem to be important when looking at the IT sourcing decision. Whether an organisation at the end of an outsourcing agreement makes a decision to renew, switch or backsource the IT

resource in question, it is possible that the decision is made based on the organisation's attitude, among other things, to the current vendor or to outsourcing in general.

Pitt et al (1995) carried out a study to assess the validity of SERVQUAL within an Information Systems (IS) setting via the construct validity appraisal used originally by Parasuraman et al (1988). Pitt et al (1995) concluded that SERVQUAL was a suitable measure of IS service quality, but noted a number of limitations, one being the low reliability of the tangibles construct. However, it was acknowledged that SERVQUAL was well suited for benchmarking, as it was a general measure of service quality (Pitt et al 1995). In subsequent literature, both SERVQUAL and SERFPERF have been used as a measure of Information Systems service quality (Kettinger & Lee 2005, Kang & Bradley 2002, Carr 2002, Landrum et al 2009). However, the research represented by these articles did not involve an outsourcing agreement. In addition, both SERFPERF and SERVQUAL measure five elements - tangibles, reliability, responsiveness, assurance and empathy. A key attribute missing is that of trust, an important component found in a number of studies covering outsourcing service quality (Alborz et al 2003, Goo et al 2007, Kern & Willcocks 2002).

3.2.4 Moving towards IT Service Measurement

Taking a different approach, Grönroos (1984) proposed a perceived service quality model. Grönroos (1984) saw service quality as consisting of two elements, technical quality (what the customer receives) and functional quality (how the customer gets the technical outcome). The two elements are said to combine to create an image of the service (Grönroos 1984). Szmigin (1993) built on the work of Grönroos and others in the realm of business to business relationship (b2b), terming the technical and functional quality as 'hard' and 'soft' quality, combining them to indicate 'process satisfaction'. The concept of 'outcome' quality was also introduced, the key being that 'outcome' quality is

"... susceptible to outside pressures and environmental conditions, but it is still a part of the overall quality on which a supplier will be judged and which will relate

to overall satisfaction within the relationship.” (Szmigin 1993, p9)

Outcome quality looks at the ‘big picture’ - does the vendor meet the business requirements and not just IT targets; essentially, is the vendor making a difference to the ‘bottom line’? The idea of outcome quality is particularly appealing within an outsourcing scenario. For example, large-scale outsourcing can affect the way the organisation is perceived by the stock market (Hall & Liedtka 2007).

Finally, Gounaris (2005) developed the INDSERV instrument, consisting of potential quality, hard process quality, soft process quality and output quality. Output quality, in this context, could be perceived as being conceptually the same as the outcome quality proposed by Szmigin (1993). Comparison with SERVQUAL provided favourable results, and further research in the b2b arena confirmed that the four dimensions constituted

“...a customer’s overall perception of the quality of service.” (Gounaris 2005b, p430)

Gounaris (2005a, 2005b) extended the INDSERV instrument further to include dimensions for trust and commitment. Trust seemed to be an important addition. Gefen et al (2008) pointed out that trust means that the parties can rely on each other and therefore do not have to rely so much on contract controls to ensure their respective outcomes. This, in effect, mirrors the views expressed earlier when discussing strategic outsourcing. For example, there is a move away from contract driven SLAs as the sole method of monitoring an outsourcing agreement. Although this instrument was again found to be applicable within the b2b arena, some of the dimensions would not be suitable within the field of IT outsourcing relationships. However, Gounaris (2005) suggested that INDSERV could be used to measure the service offered by an organisation’s IS department, on the grounds that

“...the service provided by an IS department is no different from any other kind of b2b services.” (p819)

Gounaris even suggested that INDSERV could be used in IT outsourcing,

“Hence, practitioners who, for instance, consider whether to outsource part or most of the functions offered may wish, prior to the finalisation of the decision, to assess the quality of the service they receive from their own IS department and compare it against industry standards.” (Gounaris 2005, p821)

Ladhari (2008), in a review of a number of alternative measures of service quality, concluded that the INDSERV instrument proposed by Gounaris (2005) empirically outperformed SERVQUAL. However, there was a caveat,

“It is apparent that rigorous empirical studies are needed to substantiate whether alternative scales really are superior to SERVQUAL. In particular, further studies are required to validate and refine the alternative scales.” (Ladhari 2008, p79)

Nonetheless, INDSERV seemed a suitable instrument to develop in further research into client-vendor relationships in the IT field. Going further, could the INDSERV instrument, tailored for the IT outsourcing relationship, be used to predict the outcome of an IT sourcing decision when a review of an in-house IT or an existing vendor takes place? Appendix 7 maps the elements and statements of SERVPERF to those of INDSERV and illustrates the similarities between the two instruments.

3.2.5 Moving on from INDSERV – Creating the SERVDYN Instrument

After reviewing SERVQUAL, SERVPERF and INDSERV, a decision was taken to adapt INDSERV to the IT sourcing field. The key to measuring a client/vendor relationship seems to be the combination of the perception of service performance, quality and relationship – perception being the important aspect. These three aspects could be summarised as defining the dynamics of the outsourcing relationship. Using INDSERV as a foundation, four of the dimensions were removed as not being relevant to outsourcing relationship and a number were reworded to be more relevant. This resulted in the creation of a new instrument to measure service dynamics & subsequently referred to as SERVDYN.

The INDSERV instrument had 26 statements - SERVDYN resulted in 22 statements. Table 3.4 lists the statements removed and the reason for the removal. Some statements from the original INDSERV instrument were also changed so that the emphasis was on the service provided by the vendor organisation as a whole, rather than a judgement on any individual within the vendor organisation.

Element	Statement	Justification for Removal
Hard Process Quality	Uses international and/or local network	Location for resources used should be irrelevant, it is the technical ability that is being measured

Element	Statement	Justification for Removal
Soft Process Quality	Pleasant personality	The SERVODYN instrument is being judged at the organisational level, this statement applies to an individual level
Trust	No checking is necessary	This is considered a duplicate of the statement "Important decisions are not taken without us" (the recoded TR3 in Table 3.5)
	Overall trustworthiness	An overall rating is not taken for any of the other Elements; the overall trustworthiness is gauged by the combination of all the statements that form the Trust element.

Table 3.4 Removed INDSERV Statements

Table 3.4 lists the elements and statements of the new instrument, SERVODYN. On reflection, it seemed that 'outcome quality' (Szmigin 1993) rather than 'output quality' (Gounaris 2005a, 2005b) better encapsulates the element, firstly because it is concerned with the overall rating of the quality of the service as perceived by the client. Secondly, because the consideration of the client for this element goes beyond the output of the vendor and into how that relationship is perceived by external stakeholders, it could be perceived as the 'outcome' of the relationship.

Element	Description	Variable	Statement
Potential Quality	<i>Ability - characteristics that influence the provider's ability to excel in both soft and hard qualities</i>	PQ1	Have required personnel
		PQ2	Have required facilities
		PQ3	Have required management philosophy
		PQ4	Has a low personnel turnover
Hard Process Quality	<i>Technical – what is being performed during the service process</i>	HPQ1	Stays in budgets
		HPQ2	Meets deadlines
		HPQ3	Looks at details
		HPQ4	Understands our needs
Soft Process Quality	<i>Functional – how the service is performed during the service process</i>	SPQ1	Accepts tasks enthusiastically
		SPQ2	Listens to our problems
		SPQ3	Open to suggestions/ideas
		SPQ4	Challenges if necessary
		SPQ5	Looks after our interests
Outcome Quality	<i>Contribution - the overall rating of the quality of the service as perceived by the client in light of any outside influences</i>	OQ1	Reaches objectives
		OQ2	Has a notable effect
		OQ3	Contributes to our sales/image
		OQ4	Is creative
		OQ5	Is consistent with our strategy
Trust	<i>Trust – the client's evaluation of the way the provider acted during the performance of the hard and soft</i>	TR1	Have our best interests at heart
		TR2	No need to question their motives

Element	Description	Variable	Statement
	<i>processes</i>	TR3	Important decisions are taken without us (Recoded in SPSS)
		TR4	Job done right even without our input

Table 3.5 The SERVODYN Elements

The elements themselves could be grouped as either objective or subjective in nature. Hard Process Quality (HPQ), for example, could be perceived as objective – most of the statements are measurable. Generally, these statements could be measured by Service Level Agreement or contract clauses. However, the element allows some leeway to judge the technical delivery independent of the SLAs, i.e. is the vendor delivering ‘*what is needed*’ as opposed to ‘*what is contracted*’. This reflects findings earlier in the literature that SLAs can make the vendor concentrate on delivering to ‘the contract’ rather than ‘client need’ (Alborz et al 2003). Soft Process Quality (SPQ) falls into a similar category, dealing with functional delivery rather than technical delivery. Outcome Quality (OQ) and Trust (TR), in contrast, would seem to be subjective measures, based on the perceptions of the respondent of the service being received overall.

Finally, Potential Quality (PQ) could be perceived as being similar to the ‘Tangibles’ element originally proposed by Parasuraman et al (1988) as part of SERVQUAL. Potential Quality, however, can be seen in one of two ways. At the Decision phase of the IT Sourcing Cycle, Potential Quality would be a judgement on whether a vendor could fulfil the contract requirements. During an agreement, the emphasis would change slightly to whether it is believed that the vendor can continue to deliver to the contract requirements.

Looking more closely at SERVODYN, could the elements be used as a predictor of behaviour when the trigger point is reached and an organisation decides to review its IT sourcing arrangements? Gounaris (2005) saw the use of INDSERV as a way of assessing an IT department. For this research, this idea of evaluation was extended to provide a ‘*window on outsourcing*’ by using SERVODYN as a way to view the perceptions of the IT service provided by a vendor, where the organisation stayed with the vendor, switched vendors or backsourced. The

purpose of using SERVODYN in this way was to investigate whether SERVODYN could be used as a predictor of IT sourcing intent, albeit after the sourcing decision was taken.

3.2.6 The Survey Hypotheses

The hypotheses for the survey were predominantly based on the SERVODYN instrument. The first four sections of the survey served to bring up to date the research previously carried out by others (The SERVODYN instrument was subsequently used to gauge the views of respondents whether the IT sourcing provision was in-house or outsourced and if outsourced, whether a decision was taken to stay with the vendor, switch vendors or backsourced. In order to explore the possible relationship between SERVODYN and IT sourcing decisions, a number of hypotheses were generated to frame the survey research. These were based on the four specific dimensions of SERVODYN (Hard Process Quality, Soft Process Quality, Outcome Quality and Trust); it is proposed that the IT Sourcing Decision Matrix provided a framework with which to review such a decision. Potential Quality was perceived as being more influential during the decision phase of the IT Sourcing Cycle. This framework is adapted from the findings of Whitten & Leidner (2006), Gounaris (2005, 2005a, 2005b) and Szmigin (1993).

The validity of this Decision Matrix was tested via the results of the analysis of survey data. However, as was illustrated earlier, "IT as Strategy" depends on the "view of the organisation". Rather than complicate the survey further, a decision was taken to use the classification of the functions as commodity or strategic arrived at in Table 2.13. From the IT Sourcing Decision Matrix the following hypotheses were formed.

IT Sourcing Decision Matrix (Vendor Performance)

Outcome Quality/Trust	High	Low
	Re-negotiate	Stay
	Low	High
	Back	Switch

Figure 3.5 The IT Sourcing Decision Matrix

Hypothesis 1a *'The overall combined score for in-house sourced IT will be higher than for those that outsourced.'*

If an organisation maintains their in-house provision for IT, it is assumed that they do so because it meets the organisation's needs (King & Malhotra 2000).

Hypothesis 1b *'The overall combined score for in-house sourced IT will be higher than for those that stayed with the existing vendor, switched vendors or backsourced.'*

Similar to Hypothesis 1a, in-house IT provision should be rated higher than those that outsourced and then either stayed with the existing vendor, switched vendors or outsourced. It could be argued that staying with the existing vendor should be scored as highly as those that had in-house provision but it is suspected that this is not the case.

Hypothesis 1c *'The overall combined score for those that stayed with their existing vendor will be higher than those that switched vendors or backsourced.'*

If an organisation is happy with their current IT outsourcing vendor, it is

reasonable to expect a higher rating than for those that switched vendors or backsourced.

Hypothesis 2a *'The element scores for in-house IT will all be higher than for those that outsourced'*

Similar to Hypothesis 1a, the same should apply at the element score level.

Hypothesis 2b *'The element scores for in-house IT will all be higher than for those that stayed with their existing vendor, switched vendors or backsourced.'*

Similar to Hypothesis 1b, the same should apply at the element score level.

Hypothesis 2c *'The element scores for those that stayed with their existing vendor will all be higher than for those that switched vendors or backsourced.'*

Similar to Hypothesis 1c, the same should apply at the element score level. If an organisation is happy with their current IT outsourcing vendor, it is reasonable to expect higher ratings for all elements of SERVVDYN than for those that switched vendors or backsourced.

Hypothesis 3 *'Potential Quality will be higher for those that stayed with their existing vendor than for those that switched vendors or backsourced.'*

The client would need to believe that the vendor could continue to do a good job in terms service performance and quality in the future – if they did not it is reasonable to assume they would look at alternatives.

Hypothesis 4 *'There should be no significant difference in Potential Quality between those that switched vendors or backsourced.'*

Potential Quality should have no influence on whether a client chooses to switch vendors or backsource. Having chosen to take one of the options, the possible performance of the vendor in the future becomes irrelevant.

Hypothesis 5 *'Hard Process Quality and Soft Process Quality will be higher for those that switch vendors than for those that backsourced.'*

If an organisation has experienced strong vendor service (i.e. they were happy with the outsourcing process) but were dissatisfied with the relationship as a whole, they would be more likely to switch vendors than backsource (Whitten &

Hypothesis 6 *'Outcome Quality and Trust will be lower for those that backsource than those that switched vendors.'*

An organisation unhappy with an outsourcing vendor in terms of outcome quality and trust are more likely to backsource than switch vendors (Whitten & Leidner 2006).

All significance testing of these hypotheses will be carried out at the $p=0.05$ level where appropriate. This is commonly selected as being statistically significant to reject the null hypothesis (Pallant 2007, Bryman & Cramer 2009).

3.3 Discussion

It would appear that outsourcing and the process of decision/transition/operation can be viewed as cyclical. If an organisation chooses to outsource, at some point the outsourcing contract will be reviewed, because either the contract comes to the end of its term or the client chooses to review the arrangement for any number of reasons. This would move the outsourcing process from 'operation' to 'decision' and the whole IT Sourcing Cycle starts again. It would also seem that a move from operation to decision in the IT Sourcing Cycle could be summarised as the desire for change, with the trigger having a number of contributors, broadly grouped into strategic, organisational and economic factors. An outsourcing agreement often starts with the client making cost savings, but the vendor will attempt to recoup any initial loss (Kern et al 2002).

Whitten and Leidner (2006) looked at the options available when reviewing an existing outsourcing agreement, but limited the study to Applications Development. Although this study looked at service quality, performance and relationship, the survey carried out asked for perceptions in basic terms, i.e. ratings of high medium and low. This contrasts with SERVQUAL and SERVPERF that take a more granular approach, predominantly using a 7 point Likert scales (Parasuraman et al 1988, Cronin & Taylor 1992). Whitten and Leidner (2006) suggested using a Likert scale for this part of the survey was an area for further

research.

Organisational change within a business has often precipitated changes in IT sourcing. Mergers and acquisitions are bound to force the newly created organisation to look at IT. However, it is where other organisations not driven by such events chose to change that the interest lies, particularly when backsourcing previously outsourced IT. The reasons for outsourcing and backsourcing appear broadly similar, but what else contributes to the decision to backsource rather than re-negotiate or switch vendors? If outsourcing is seen as a marriage, backsourcing is the divorce, and if the relationship between the client and the vendor breaks down completely it could be an acrimonious divorce.

3.4 Summary

It would seem, on initial inspection, that outsourcing and backsourcing are just different manifestations of the IT Sourcing Cycle, going through the same phases of Decision, Transition and Operation from different starting points. However, the lack of empirical research in this area limits any conclusive judgement.

The rest of this thesis concentrates on the empirical research undertaken. Firstly, it studies in depth an instance of backsourcing within a large organisation to validate the IT Sourcing Cycle. Secondly, research was completed to investigate the decision-making factors within UK organisations in terms of their IT sourcing decisions. The next chapter details the research methodology and methods used to complete the empirical research.

4 Methodology & Methods

This Chapter describes the methodology and methods used for the empirical research phase of the thesis. The ontological and epistemological stance of the researcher is discussed, along with the research strategy and structure.

4.1 Objectives and Scope

To understand the findings of the research, it is important to examine the context in which it was carried out, including the overall research method, design, methodology and the issues anticipated or subsequently encountered during the research process.

Setting the objectives and scope of the empirical research was the first major action. This was based on the primary research questions that address the areas specifically focused on the empirical research.

- | |
|--|
| <ul style="list-style-type: none">(3) To identify the key strategic and decision-making factors to backsource IT, and to contrast these with the outsourcing process.(4) To understand the backsourcing process in comparison with the existing frameworks for IT outsourcing.(5) To ascertain the levels of back sourcing activity within the United Kingdom.(6) To understand the IT Sourcing decision process in terms of the decision makers, motives and influences. |
|--|

Table 4.1 Empirical Research Objectives

Generating the research questions from the research objectives was the next important stage of the research, with the questions generated by the literature review carried out in previous chapters.

4.1.1 Setting the Scope – The Research Framework

The research framework was designed to summarise the areas within scope for the research. Using the three stages of the IT Sourcing Cycle proposed in Chapter 3 had the advantage of separating the activities within outsourcing and back sourcing. For example, it is proposed that the business drivers for outsourcing

would be considered during the decision and operation phases, but would not play a major role during transition.

The initial literature review concentrated on two specific choices of IT sourcing strategies – outsourcing and backsourcing. This remained the focus for the rest of the research, but it became apparent that the other choices, staying in-house or switching vendors, could not be ignored. The Backsourcing framework (Figure 3.4), however, was used during the case study phase of the research.

The literature review carried out in Chapter 2 indicated that the general processes of outsourcing and backsourcing, based on the IT Sourcing Cycle, were broadly the same. However, the idea of a three-phase approach to IT sourcing required further empirical examination. The following sections detail the research strategy, methodologies and methods used to carry out the empirical research, along with the rationale for research decisions taken and coverage of bias and ethical issues presented during the research process.

4.2 Defining the Research Strategy

Understanding and acknowledging the research strategy, ontological and epistemological standpoints of the researcher is paramount, as this dictates, to a certain extent, the preferred research methodologies (Easterby-Smith et al 2002).

4.2.1 Looking at Research Strategies

Blaikie (2007) proposed four different research strategies - inductive, deductive, retroductive and abductive. Two of these strategies, inductive and deductive, are well defined and understood in research literature. Hussey & Hussey (1997) define inductive research as

“... a study in which theory is developed from the observation of empirical reality; thus general inferences are induced from particular instances.” (p13)

and deductive research as

“... a study in which a conceptual and theoretical structure is developed and then tested by empirical observation; thus particular instances are deduced from general references.” (p13)

The difference between the two approaches is the starting point. For deductive

research, the researcher creates a hypothesis to be subjected to empirical testing. With inductive research, the findings of research lead to the creation of theory (Bryman 2008).

For the retroductive and abductive research strategies, the picture painted by literature is not so clear. Many authors do not discuss these as research strategies (Bryman 2008, Hussey & Hussey 1997, Robson 2002, Easterby-Smith et al 2002, Bryman & Bell 2003). More disconcerting is that where abduction and retroduction are discussed there is an ambiguity of meaning. Many authors see abduction and retroduction as the same concept (Gummesson 2000). This is not surprising given the 'father' of abductive thinking, C.S. Peirce, stated

"The first stating of a hypothesis and the entertaining of it, whether as a simple interrogation or with any degree of confidence, is an inferential step which I propose to call abduction or retroduction." (In Punch et al 1990, p34)

The use of abductive logic was proposed originally as a method for generating hypotheses in the natural sciences, but was adopted by interpretive social science as the appropriate method for theory construction (Blaikie 2007). Abduction is defined as

"... the logic of constructing a hypothesis, or the logic of selecting a hypothesis from many possible ones." (Fann 1970, p59)

However, Blaikie (2007) distinguishes between retroductive and abductive research strategies. Abductive research is seen specifically as

"... constructing theories that are derived from the social actor's language, meanings and accounts in the context of everyday activities." (Blaikie 2007, p89)

The starting point for such research is the description of these activities and meanings, and then deriving concepts and categories that can form an understanding or explanation of the problem (Blaikie 2007). This seems to go further than the original definition by Peirce (Fann 1970), in that it emphasises constructing theories from the language, meaning and accounts of individuals. The abductive research strategy is based on idealist ontology and a constructionism epistemology (Blaikie 2007), neither of which aligned with this researcher. An abductive research strategy was therefore discounted.

For retroduction, Blaikie (2007) sees the research process as the construction and

testing of structures and mechanisms to explain observable phenomena. Sæther (1998) seems to concur with this, stating that retroductive research strategy represents the combination of the deductive and inductive research strategies to make valid representations of social life. Downward & Mearman (2006) go further, arguing that retroduction requires the triangulation of research methods and advocates the use of mixed-methods triangulation. This aspect of triangulation will be examined later in this chapter. As with abduction, retroductivism was seen by Blaikie (2007) as having a realist ontology and a neo-realism or constructionism epistemology. However, Mingers (2006) sees retroductivism as more aligned with a critical realist epistemology, a position with which Patomaki & Wight (2000) and Downward & Mearman (2006) concur. Table 4.2 summarizes the research strategies.

Research Strategy	Aim
Inductive	To establish descriptions of characteristics and patterns
Deductive	To test theories, to eliminate false ones and corroborate the survivor
Retroductive	To discover underlying mechanisms to explain observed regularities
Abductive	To describe and understand social life in terms of social actors' motives and understanding

Table 4.2 Research Strategies

Finally, making a decision on which research strategy to adopt is also dependant on the ontological and epistemological stance of the researcher and the type of research to be completed. In order to make a definitive statement on the research strategy it is necessary to categorise the type of research carried out, along with the ontological and epistemological stances of the researcher.

4.2.2 Categorising the Research

The primary research objectives, as articulated in Chapter 1, are all based around the goal of discovery. The research represented a 'fact finding' mission, where back sourcing was ill defined and understood. This seemed to imply an inductive approach to the research. Mintzberg (1979) sees two steps vital to inductive research - 'detective work' and 'creative leap'. This second aspect, argues Mintzberg, always occurs - even if the 'creative leap' in terms of describing something 'new' is only a small one. This 'creative leap' process seemed similar to the original definition of abduction, where the idea of theory creation is selection

of the theory that best fits 'the facts' (Fann 1970). Mintzberg (1979) attaches the label of 'exploratory' to this type of research within organisations, although Hussey and Hussey (1997) are more concise on exploratory research, stating that it

"... is used in areas where there are few theories or a deficient body of knowledge."
(p66)

The objectives of the research state that backsourcing process needs to be defined and compared with other types of sourcing strategies, such as outsourcing. This goes beyond exploratory research and into the realms of descriptive research when attempting to refine the backsourcing process (Hussey and Hussey 1997). The combination of exploratory and descriptive research required is better described by Robson (2011) as evaluation research,

"The purpose of an evaluation is to assess the effects and effectiveness of something, typically some innovation, intervention, policy, practice or service." (p176)

Robson (2011) goes on to suggest that any evaluation research should meet four criteria. These were used as an initial 'mile stick' for the research and are summarised in Table 4.3.

Overall, the goals of the research are a combination of exploratory and descriptive research and seemed to fit the evaluation research type proposed by Robson (2002) and additionally, falls within the boundaries set by Mintzberg (1979) for inductive research within organisations. Going further, Hart (1998) splits evaluation research into two types, summative and formative. This work would appear to be summative, in that its purpose is

"To summarize and assess the main benefits of a policy, programme or product in order to judge its effectiveness or applicability to a specific situation or in a range of contexts." (Hart 1998, p46)

Criteria	Evaluation
Utility - is it of use to some audience.	For this research, the conclusions would be useful for any organisation considering backsourcing or is in the process of carrying out such a process.
Feasibility – can it be completed in political, practical and cost-effective terms?	By limiting scope and gaining backing from the organisation selected for the case study and identifying a suitable survey delivery mechanism, this was achievable.
Propriety – can it be carried out fairly and ethically?	This has to be judged against a backdrop of possible bias and general ethical considerations.

Criteria	Evaluation
Technical adequacy – given the above, it should be carried out with technical skill and sensitivity.	Given the level of study for the research, it is believed this is the case.

Table 4.3 Evaluation Research Criteria

In summary, this research appears to be summative evaluation research - a combination of exploratory and descriptive research. This could be viewed as the research 'concept' using Silverman's research schematic (Silverman 2000).

4.2.3 Models, Concepts & Theories

Silverman (2000) proposes a relationship between models, concepts, theories, hypotheses, methodologies and methods that was represented schematically. This representation provides a guide to carrying out inductive, or qualitative, research. This can be contrasted with a similar representation of deductive, or quantitative, research proposed by Bryman and Bell (2003) and one from Johnson & Onwuegbuzie (2004) for mixed-method research. It has already been noted that Downward & Mearman (2006) argued for the use of triangulation and mixed methods research in retrodution . A more in-depth review of mixed methods research is covered in the next section. Looking at Figure 4.1,

"...each concept reflects a lower level of generality and abstraction." (Silverman 2000, p80)

Figure 4.1 highlights one of the key differences between deductive, inductive and mixed-methods research. In deductive research, the phenomenon is investigated independently of its social environment and the ontological and epistemological stance of the researcher. In inductive research, these have to be considered from the outset (Robson 2002). Hussey & Hussey (1998) go further, arguing that the starting point in any research is essentially the researchers 'view of the world'. It is important, therefore, to understand the researcher's personal beliefs and 'view of the world' – what Silverman (2000) categorises as the research 'model' – an overall framework for looking at reality.

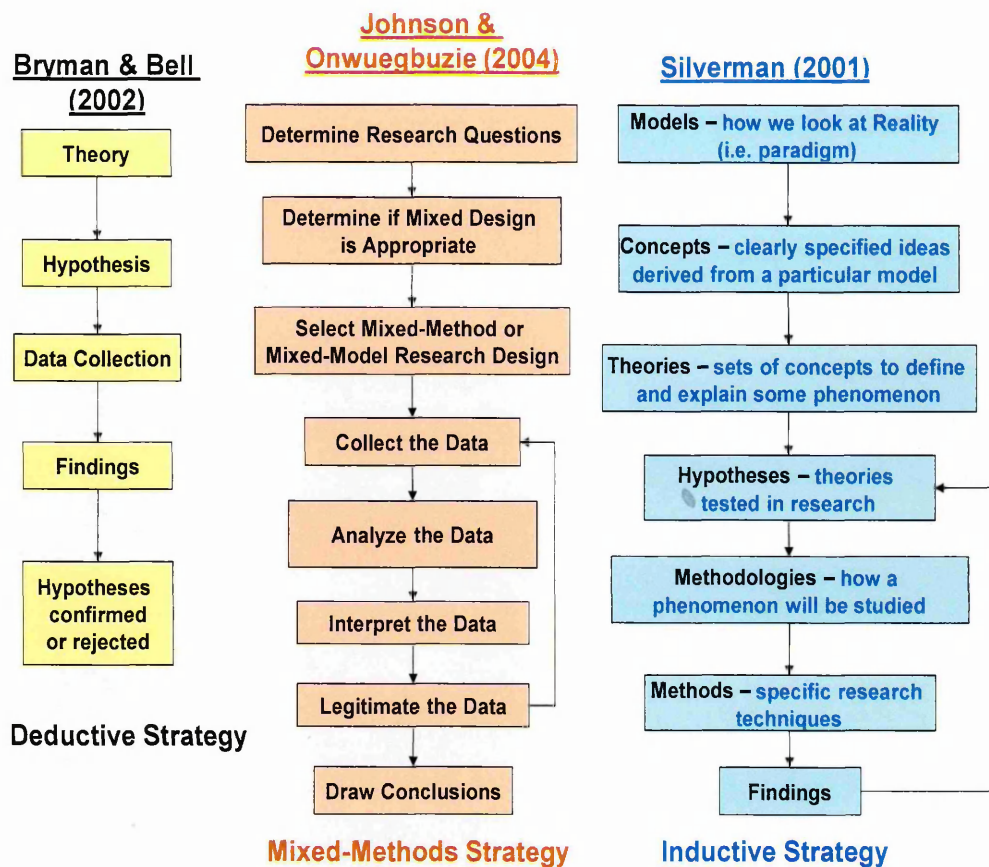


Figure 4.1 Theories, Models & Hypotheses

4.2.4 Towards Triangulation – Mixed Methods Research

Although the results of the primary data analysis can be compared with the results of the analysis of the literature on outsourcing, the body of work for back sourcing is limited. Therefore, an attempt was made to increase the validity of the research through triangulation. The purpose of triangulation is to use multiple sources of data to increase the rigour of the research and reduce threats to validity such as researcher or respondent bias. (Robson 2002) Looking at the four types of triangulation used by Easterby-Smith, Thorpe and Lowe (2002) and originally proposed by Denzin (1978), Table 4.4 looks at their suitability for this research.

Triangulation of theories looked promising and could be used for comparing the findings on relationship quality from the field of Marketing to those in the IT client/vendor relationship. It was not appropriate, however, as a basis for checking validity within the case study aspect of the research. Methodological triangulation was deemed the most appropriate, using quantitative and qualitative methods to validate findings, an approach more commonly acknowledged as

mixed methods research (Denscombe 2007, Johnson & Onwuegbuzie 2004). More on the justification for the mixed methods approach shortly.

Type	Description	Suitability
Data Triangulation	Collecting data at different times from one source or from a number of sources	This was feasible as an approach, but a research decision not to complete a longitudinal study was taken early in the research design process.
Investigator Triangulation	A number of investigators used to collect data from the same or a number of sources	Resource restrictions, i.e. only one researcher, made this approach unusable
Triangulation of Theories	Taking a theory from another discipline and applying it to this research	This is an approach that was followed, to a certain extent, for part of the survey stage of the research, using an approach similar to that used in Marketing
Methodological Triangulation	Uses qualitative and quantitative data collection to validate data accuracy	The most appropriate triangulation method given resource constraints This was possible for some, but not all, of the empirical data collected.

Table 4.4 Research Triangulation Methods

Triangulation as a method is not without its issues. Mathison (1988) perceived that when a triangulation strategy is used the assumption is that the resultant findings from the data analysis would be convergent. However, findings from research are sometimes not so neatly packaged. Mathison (1988) goes on to state that although triangulation provides a rich, and sometimes complex, picture of the area being studied, the picture itself may not be clear. In this instance, the resultant findings can be classified as inconsistent (Mathison 1988),

“...the evidence presents alternative propositions containing inconsistencies and ambiguities. With this outcome it is not clear what the valid claim or proposition about something is.” (p15)

The third possibility is where the findings are contradictory. Here, the contradictions should be explored by the researcher for possible reasons, in both the research approach and questions and the findings themselves (Mathison 1988).

A distinction needs to be made, however, between two types of research design that use multiple primary data sources - multi-method and mixed-method research. Multi-method research uses research designs that use two qualitative methods or two quantitative methods together (Morse 2003). Mixed-method involves using qualitative and quantitative methods, either serially or simultaneously (Denscombe 2007). A multi method approach to the research was

discounted early in the process when it was apparent that an in-depth, exploratory, study of back sourcing in an organisational setting was required, along with research into the wider trends in United Kingdom sourcing trends.

Looking at mixed-methods research, Johnson et al (2007) defined mixed mode research as

“Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration.” (p123)

Denscombe (2007) proposed three characteristic features that set the mixed methods research from other strategies (Table 4.5).

- | |
|---|
| <ol style="list-style-type: none">1. The use of qualitative and quantitative approaches within a single research project2. Explicit focus on the link between approaches3. Emphasis on practical approaches to research problems (pragmatism) |
|---|

Table 4.5 Characteristic Features of Mixed-Method Research

This pragmatic approach to research resonated with the researcher. The aspiration was to carry out research that required a practical research process to investigate the practical issues within the IT sourcing domain. Greene et al (1989) considered mixed-method research as being for a number of general purposes: triangulation, complementary, development, intuition and expansion. For this research, it would seem that the purposes were triangulation (discussed previously), complimentary and expansion – using different methods to expand the breadth and range by using different methods for different inquiry components. However, this emphasis shifted after the completion of the Case Study. It became evident that a shift in research emphasis was required (explained more fully in section 7.1), when it became apparent that the purpose the mixed-methods approach was more of triangulation and intuition, the latter being the desire to investigate the paradoxes found in the first phase of the research.

4.2.5 Ontology and Epistemology

Fleetwood (2005) summarizes the importance of the ontological and

epistemological standpoints selected for any research

"The way we think the world is (ontology) influences: what we think can be known about it (epistemology); how we think it can be investigated (methodology and research techniques); the kinds of theories we think can be constructed about it; and the political and policy stances we are prepared to take." (p197)

Ontology developed as a branch of philosophy that is concerned with the nature of what exists (Blaikie 2007). The ontological view of the research process is concerned with the assumptions the researcher makes about the nature of reality (Easterby-Smith et al 2002). For ontology, the main point is the question of whether social entities can be considered to have a reality external to social actors, known as objectivism, or are built up by the perceptions and actions of the social actors themselves, known as constructivism (Bryman & Bell 2003). Robson (2011) noted that for constructivism, the emphasis is on how individuals construct and make sense of their world, and that the world is constantly changing.

The ontological standpoint for this research and researcher appears to be constructivist in nature; it seems counter-intuitive to see a social entity, such as an organisation, being anything other than being built up by its social actors.

Epistemology represents the general set of assumptions about the best ways of inquiring into the nature of the world (Easterby-Smith et al 2002). Its main premise is whether the social world can and should be studied the same as natural science (Bryman 2008). Bryman (2008) believes that epistemological views can be divided into three broad groups - Positivism, Realism and Interpretivism.

Bryman (2008) stated that positivism advocates the application of methods of natural science to the study of social reality. One of the key principles of positivism is that any research must be conducted objectively. For this researcher and the research, it is clear that the phenomenon under investigation cannot be investigated isolated from its organisational setting - IT sourcing acts at an organisational level and, like any organisational change, affects all those in scope of the change within the organisation (Ericson 2001). This essentially rules out a positivist paradigm, where the emphasis is on 'reality as a concrete structure', i.e. there is only one version of reality that can be understood and it is independent of

any social aspects (Hussey & Hussey 1997). The phenomenological or social constructionist paradigm, where knowledge is deemed to be socially constructed (Bryman 2008), does not seem to be appropriate either. Although the research is concerned with generating theories - a phenomenological concept, it is also attempting to test a hypothesis - a positivistic concept. The paradigm for this research and researcher appeared to lie somewhere in the middle of these two extremes (Robson 2002).

Post-positivism accepts that the values of the researcher can influence what is being observed, but still maintains that there is one reality known imperfectly because of the researcher's limitations (Robson 2002). This seems inadequate when looking at the complexities of organisations, the question that can be posed is 'reality in the eyes of whom?' - the board of directors, senior managers, shareholders, employees, the researcher?

Relativism compromises between positivistic and phenomenological paradigms - it proposes that 'facts' depend on the viewpoint of the observer and that the 'truth' requires consensus between different viewpoints (Easterby-Smith et al 2002). Critical realism is seen as a variant of relativism by Easterby-Smith et al (2002), but as a third way between positivism and relativism by Robson, all three of which are seen as part of the post-positivist paradigm (Robson 2002).

Critical realism, as an approach, has been used within Information Systems and business research (Mingers 2006, Orlikowski & Baroudi 1991, Sedmak & Longhurst 2010) for some time. The researcher has a preference for the critical realist approach, agreeing with Sayer (1992), who 'signposts' eight characteristics of critical realism. Two of these characteristics are that

"...the world exists independently of our knowledge of it." and "...our knowledge of the world is fallible and theory-laden." (Sayer 1992, p5)

Bryman (2008) defines critical realism as

"A realist epistemology that asserts that the study of the social world should be concerned with the identification of the structures that generate that world." (p692)

The 'critical' tag is important as practitioners aspire to identify structures in order

to change them (Bryman 2008).

However, it could be argued that the ontological and epistemological stance of the researcher is dictated by a 'higher' level. In systems thinking terms, the weltanschauung, or 'worldview', of the researcher represents

"An individual (or collective) viewpoint, which is conditioned by environment, background, belief, upbringing, etc. It is not itself a set of beliefs, but a framework which underlies one's beliefs." (Open Systems Group 1981, p18)

Therefore, it would appear that it is the researcher's weltanschauung that tilts the balance to a specific ontological stance. The researcher sees 'reality as a contextual field of information', preferring to look at a 'problem' holistically with a view to understanding patterns of systemic relationships (Morgan and Smircich 1980).

4.2.6 Summary

The research appears to be predominantly inductive in nature, it moves from the 'plane' of observation of the real world to the construction of theories to explain what has been observed (Gill & Johnson 2002). However, if Sæther (1998) were used as a guide, the research strategy would be more aligned to a retroductive research strategy, using a mixed-methods approach of qualitative and quantitative data collection. Perlesz & Lindsay (2003) raised issues around the use of methodological triangulation, arguing that triangulation used as an analogy is misleading because it only requires two datasets and not three. However, Perlesz & Lindsay (2003) are ignoring one of the key characteristics of any research project. Taking this research project as a whole, there are three data sources - quantitative and qualitative data and the literature review findings.

Given the researcher's desire for methodological triangulation, a mixed-method research design using qualitative research followed by quantitative research became the preferable research strategy. However, the use of mixed-methods research is not without issues. Sale et al (2002) maintains that

"...quantitative and qualitative researchers do not, in fact, study the same phenomena." (p50)

They go on to suggest that multiple research methods can be combined in a single study if done for complimentary purposes (Sale et al 2002). Morse (2003) stated

that

"This design is most often used to develop a model or theory and then test the theory. Note that while testing is the second quantitative component (and forms a deductive phase), the overall theoretical thrust is inductive." (Morse 2003, p203)

In terms of methodology, each research study is considered distinct with its own assumptions (Morse 2003).

The researcher comes from a Systems background, having studied the Soft Systems Methodology proposed by Checkland & Scholes (1990). This Weltanschauung or 'worldview' seems to be important. Easterby-Smith et al (2002) seem to concur

"The worldview held by an individual researcher or institute is clearly an important factor which affects the choice of research method." (p57)

Consequently, it is this Weltanschauung of the researcher that appears to be a major influence on the researcher's ontological and epistemological views, and goes some way towards why the researcher sees things in terms of systems and processes.

Therefore, it would appear that it is the researcher's Weltanschauung that tilts the balance to a specific ontological stance. The researcher sees 'reality as a contextual field of information', preferring to look at a 'problem' holistically with a view to understanding patterns of systemic relationships (Morgan and Smircich 1980).

4.3 Bias and Ethical Issues

The completion of any programme of research is never without issues, specifically those concerned with bias and ethics. Every researcher starts the research with their own views, as has been discussed earlier in this chapter. The important facet is to acknowledge this bias and build in safeguards to ensure the research is not invalidated by these. The consideration of ethical issues needs to be at the centre of the research strategy, as it

"...relates directly to the integrity of a piece of research and of the disciplines that are involved." (Bryman & Bell 2003, p535)

Robson (2002) goes further, considering it as vital that serious thought is put into the ethical aspects of a proposed piece of research at an early stage. The research

strategy, mixed-methods, led to a mix of 'insider' and 'outsider' research for reasons that will become clear later. This gave rise to different ethical issues at the different stages of the research. During the qualitative phase, the research was carried out as 'insider' research, i.e. within the organisation the researcher was an employee (Brannick & Coghlan 2007). The second, quantitative, phase of the research was completed as 'outsider' research. The following sections will therefore look at these aspects in more detail and address the area of research ethics in general.

4.3.1 Personal Value Systems

The researcher's ontological and epistemological standpoints have been covered in an earlier section. The researcher comes from a 'systems' background, and therefore prefers to look at issues holistically in order to understand them, working through problems methodically in order to reach a solution. An employment background of nearly 30 years in IT in predominantly technical areas provides the background for this.

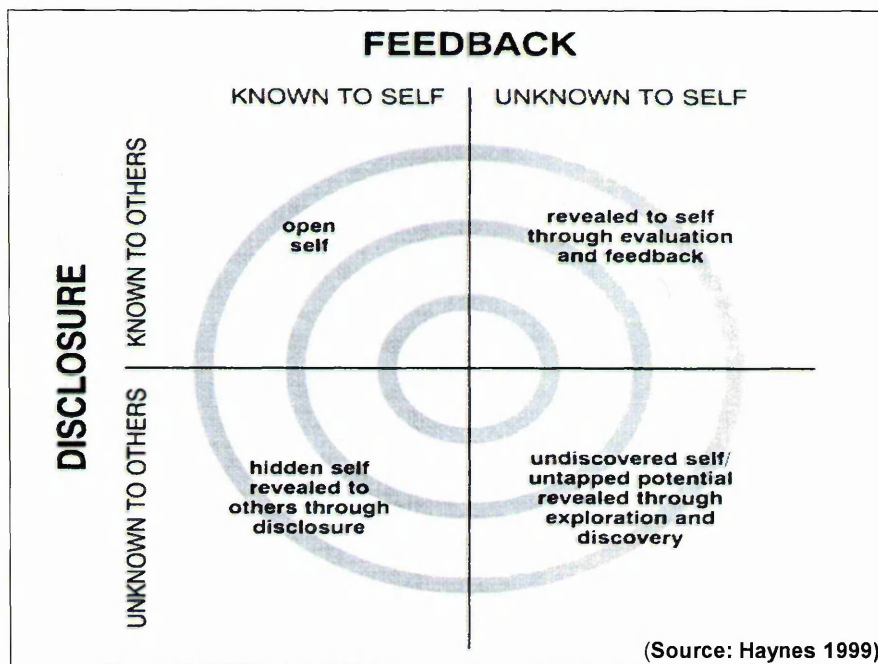


Figure 4.2 Johari Window

Self-reflection plays an important part in assessing personal value systems (Robson 2002). Metrics, such as Myers-Briggs type indicator (Myers & McCaully 1985) and Belbin team roles (Broucek & Randell 1996) can provide an insight. These were

completed as part of another course, so the researcher was aware of categorisation using these metrics. However, results from these types of metrics have to be treated with caution. They are a tool to be used to gauge performance in various situations and in reflecting on 'what makes you tick'. However,

"If all you do is look at the surface of a lake, you will miss the remarkable life underneath".
(Pearman & Albritton 1997 p173)

An alternative to the metrics approach was considered. Haynes (1999) discusses the use of the Johari Window technique as a way of carrying out self-reflection and receiving feedback from others. The Johari Window, originally devised by Luft and Ingham (Haynes 1999), consists of four quadrants that describe 'views of self'. In order to extend the 'knowledge of self' beyond open and hidden self, a feedback process could be carried out with, for example, work colleagues. This was considered but discarded, firstly because others in the researchers domain could not be trusted to give honest 'non-agenda' driven feedback, and secondly because the researcher was not willing to risk existing relationships if the feedback was thought to be unfair or too judgemental. As a result, the focus changed to the 'type' of researcher, 'insider' or 'outsider' required in each of the stages of the empirical research. This concentrated on the specific issues and problems faced by the researcher in each of these different roles.

4.3.2 Role Conflicts & 'Insider' Research

A potential role conflict arose because of the research also being an employee of ClientCo. For the case study, the question of 'identity' during the qualitative phase of the research had to be considered (Robson 2002). As an employee, the researcher was involved in everyday conversations about VendorCo and ClientCo. As a researcher, these thoughts and beliefs needed to be, to a certain extent, separated from the research process. Having taken an 'active role' in the outsourcing process, it is clear the researcher will have perceptions of the overall success of the agreement. These had to be acknowledged and 'compartmentalised', checking throughout the research that these perceptions had not biased any data analysis (Robson 2002). However, Gummesson (2000) perceives this experience of the

organisation as an advantage, terming it 'pre-understanding'. This 'pre-understanding' adds to the richness of the data collected by the research because the language used by the actors is understood in the context of the organisation and its cultural norms (Gummesson 2000).

For the Case Study itself, the circumstances were unique – the researcher was an employee of ClientCo and gained access through this relationship. The added advantage of this 'insider research', besides providing a depth and richness that may not otherwise have been available (Hewitt-Taylor 2002), is what Gummesson (2000) terms as pre-understanding

"Pre-understanding refers to such things as people's knowledge, insights and experience before they engage in a research programme." (Gummesson 2000 p57)

It is the knowledge of the organisation's day-to-day operation and culture that allows an insider researcher to gain a richness of data. Coghlan & Casey (2001) when discussing nurses as insider researchers, stated,

"When they are inquiring they can use the internal jargon and draw on their own experience in asking questions and interviewing, and are able to follow up on replies and so obtain richer data." (p676)

However, the disadvantages can be seen as substantial (Robson 2011), including the duality of role (as researcher and employee) and interviewing work colleagues. The consideration for the latter was the potential power imbalance between the researcher and those interviewed and that of possible 'employer pressure' during the course of the research (Easterby-Smith et al 2003). Although the research was not carried out as 'Research as Employee' i.e. employee participation, some of the same potential problems had to be acknowledged (Easterby-Smith et al 2003). Issues around content have been detailed in the sections detailing the case study method.

4.4 Method: The Case Study

After the literature review, it was clear that there were a number of gaps in the current literature on back sourcing. The qualitative phase of the mixed-methods research strategy followed a case study approach; the reasoning for this has to be expanded upon.

4.4.1 Why a Case Study

The aim of the case study was to gain an insight into the back sourcing process, from the perspective of those that had been heavily involved in an organisation that had back sourced its IT. The case study phase of the research was used specifically to investigate and answer the following research objectives. To focus this stage of the research, it was necessary to look at the overall objectives of the research and the initial conceptual framework, and devise objectives for the Case Study phase of the research.

Research Objectives	Case Study Objectives
(3) To identify the key strategic and decision-making factors to backsource IT, and to contrast these with the outsourcing process.	To explore the importance and drivers of the decision stage in back sourcing.
(4) To understand the back sourcing process in comparison with the existing frameworks for IT outsourcing.	To understand the decision-making process and the options explored.
	To discover the 'mechanics' of the transition stage and the problems or barriers, that become apparent in back sourcing.
	Exploration of the importance of knowledge management and the retention of key personnel in the back sourcing process.
	To determine the differences in the operation stage for back sourcing.

Table 4.6 Case Study Objectives

The case study approach provides an opportunity to gain an insight into the effect of IT sourcing change on the wider organisation. The case study phase of the research was of an exploratory nature. Robson (2002) categorizes this type of research by stating that it is

"To find out what is happening, particularly in little-understood situations." (p59)

The purpose of exploratory research is to look for new insights and generate hypotheses for future research. This seems to confirm the discussion around the type of research made in an earlier section.

4.4.2 Background and Method

For back sourcing, a single case study was carried out within an organisation that has just 'completed' a back sourcing process. The case study phase of this research was of an exploratory nature.

With open access granted to a specific organisation, as will be discussed shortly, a case study appeared to be the most promising research approach. Robson (2002) argues that all enquires are case studies. Robson (2002) also advocates a succinct definition of case study research

"Case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence." (p178)

Given the access negotiated for this research, the study is at an organisational level with a focus on decision-making and the process of change (Robson 2002).

Yin (2003) sees the case study approach as a research strategy that includes single and multiple case studies, this research is clearly a single case study. Yin (2003) states that the single case study approach is particularly appropriate when

"... the investigator has access to a situation previously inaccessible to scientific observation. The case study is therefore worth conducting because the descriptive information alone will be revelatory." (p43)

In such a situation, Yin (2003) further categorizes this type of case study as a 'revelatory case'.

4.4.3 Data Collection Method

Making the decision on how to collect the qualitative data required within the target organisation had to be balanced against the practical implications of each approach. Hussey & Hussey (1997) identified seven main data collection methods of which four, critical incident technique, diaries, observation and protocol analysis, were dismissed as inappropriate for research within an organisation where the views of individuals were being sought. This effectively left interviews, questionnaires and focus groups. Given the exploratory nature of this phase of the research, questionnaires were discounted, as they do not lend themselves to this type of inquiry (Robson 2002). Finally, focus groups, a combination of interviewing and observation (Hussey & Hussey 1997) were considered but rejected. The purpose of this stage of the research was to extract the views of senior managers within the organisation, but not all were at the same level within the organisation. When such hierarchical relationships exist, it is suggested that individual interviews are more appropriate (Bryman 2008). Of the original seven data

collection methods identified by Hussey & Hussey (1997), only interviews, as a data collection method seemed appropriate for this stage of the research.

Silverman (2006) highlighted four possible interview strategies, and included focus groups within the four. With focus groups already discounted, that left structured, semi-structured or open (unstructured) interviews as data collection methods to be reviewed (Silverman 2006). Structured interviews are synonymous with questionnaires and are designed to ensure the respondent's replies can be aggregated, thus lending itself more towards quantitative data collection (Bryman & Bell 2003). This would not allow the ability to ask follow-up questions depending on the replies from respondents (Denscombe 2007).

Unstructured interviews are where there may be just one question and the interviewer has a brief set of prompts to deal with a certain range of topics (Bryman & Bell 2003). Yin (2009) terms this an in-depth interview. The framework for the interviews was based on the IT Sourcing Cycle (Figure 3.2), so such an open interview process would not have provided sufficient focus in terms of the data collection process.

Semi-structured interviews were therefore selected as the most appropriate method for the interviewing phase of the research because of the setting for the research,

"If the researcher is beginning the investigation with a fairly clear focus, rather than a very general notion of wanting to do research on a topic, it is likely that the interviews will be semi-structured ones, so that more specific issues can be addressed." (Bryman & Bell 2003, p346)

There are specific questions for which data were sought, with the interviews themselves focused in a number of ways to ensure that the interviewee was aware of the content and context of the research to improve consistency and the quality of data collected. (Bryman & Bell 2003)

Making a decision on how many to interview is a 'subjective matter' in the eyes of the researcher (Bryman 2008). Kvale (1996) had a simple solution,

"Interview as many subjects as necessary to find out what you need to know." (p101)

Resource constraints limit this to 'how many interviews can be completed within a specific timescale to find out what you need to know'. The time restriction was because of the 'tolerance' of the organisation in terms of time spent, for both the researcher and the interviewees, and availability of certain interviewees coming to the end of their contract with the organisation. Interviewees were identified and selected for the knowledge they were perceived as having in the backourcing process because of being actively involved in it.

The importance of interviews is emphasised by Yin (2003) within case study research,

"Overall, interviews are an essential source of case study evidence because most case studies are about human affairs. These human affairs should be reported and interpreted through the eyes of specific interviewees, and well-informed respondents can provide important insights into a situation." (p92)

It is for the final point about 'well-informed respondents' that those chosen for the interview phase were selected for their knowledge of the research area within the outsourced organisation. This was categorized by Robson (2002) as purposive sampling. As this stage of the research is exploratory in nature, this approach was affirmed as appropriate by Johnson and Gill (2002). The first stage of the research process was to create a semi-structured interview guide or plan (Appendix 3) and make decisions on sample size (Bryman 2008).

As a result, the primary source of data consisted of a series of six semi-structured interviews with key personnel (within ClientCo) involved in the backourcing process. These interviews took place approximately one year after the completion of the backourcing process had been completed. The interviewees were three senior managers who had been part of ClientCo prior to the backourcing process and part of the backourcing project steering group (referred to as the ClientCo Project Group or CPG). The other three were senior managers who had been part of the original outsourcing process and had then transitioned from VendorCo to ClientCo (referred to as the VendorCo Senior Management Group or VSMG). A number of senior personnel within VendorCo were also approached but declined to participate in the research.

Each of the perspective interviewees were approached personally to explain the research and to request their participation, all agreed. A Research Briefing (Appendix 2) was sent one week prior to the interview, when the interview was scheduled in their diaries. A meeting room was booked to ensure privacy, and all interviewees were asked for permission to digitally record the interview at that time. This broadly followed interview protocol recommended by Robson (2002) and Bryman & Bell (2003).

In addition to the interviews, secondary data, in the form of supporting documentation, was made available, specifically newsletters issued during the transition by ClientCo, minutes from Employee Consultation Forum meetings and communications from VendorCo. It also included several documents pertaining to the original outsourcing launch. These were also subjected to data analysis.

4.4.4 Constructing and Validating the Semi-Structured Interview Plan

The semi structured interview questions were based on the case study objectives and divided into four main sections using the IT Sourcing cycle as a framework; three sections covering each of Decision, Transition and Operation, and a section designed to gauge the respondents views on the backsourcing process overall. The issue of knowledge management was addressed during the Transition section.

Figure 4.3 illustrates the Case Study Research Domain, with the definitions and trends in backsourcing having already been addressed in the literature review in Chapter 2.



Figure 4.3 Case Study Research Domain

Robson (2011) stated that a pilot study within case study research is often difficult to set up and not as important as for survey instruments. Bryman & Bell (2003), for example, state that it is always desirable to complete a pilot study prior to administering a self-completion questionnaire. However, a pilot interview was carried out with an individual within the organisation aware of the research and the possible interviewees (in terms of management level, not the individuals themselves). This pilot of the semi-structured interview plan was also discussed with the individual at the end of the interview itself to enhance the feedback process. This resulted in a few changes in question wording and order. Within the interview plan, the question “What were the real reasons for backsourcing” was also added as a result.

Taylor & Bogdan (1984) highlighted that

“... qualitative researchers emphasise validity, quantitative researchers emphasise reliability.” (p7)

They go on to state that there has been an over emphasis on reliability in social research (Taylor & Bogdan 1984). Creswell & Plano Clark (2011) agree that there is

more of a focus on validity, underlining the importance of the analysis procedures of the researcher

"... to determine whether the account provided by the researcher and the participants is accurate, can be trusted and is credible." (Creswell & Plano Clark 2011, p211)

The importance of reliability was seen as only minor, relating to the reliability of multiple coders (Creswell & Plano Clark 2011). This was not relevant for this research.

For the case study, the completion of the pilot for the semi-structured interview plan was deemed as important. The researcher was interviewing people within his own senior management and the validity of the research and the research process was seen as vital. The resulting semi-structured interview plan can be found in Appendix 3.

4.4.5 Data Analysis Methods

The analysis of the interviews was designed to serve two purposes; create a framework of understanding and provide input to the survey stage of the research. The main issue was to condense the complex information collected in a format that can be used to draw conclusions on the research area. Denscombe (2007) stated that there were four guiding principles to data analysis; that the analysis and the conclusions drawn are firmly rooted in the data, that the researchers' explanation of the data should emerge from the data, that the researcher should avoid introducing personal bias into the data and that the data analysis process should be iterative.

All interviewees were asked for permission to record the interview and were provided with an overview of the purpose of the research prior to the event. Bryman & Bell (2003) advise caution on the latter point for fear of skewing interview responses. The researcher felt, however, that it was a positive way of introducing the research.

Silverman (2000) advocated that data analysis should not start once data gathering

has been completed, believing that starting the data analysis process as soon as possible can provide early insights into the research process. Bryman (2008) stated that the researcher transcribing the recorded interviews allows a more thorough examination of what interviewees articulated and aid familiarisation with the data. Corbin & Strauss (2008) also recommend that the coding process be started as soon as the first interview is completed, as the first data serves as a foundation for further collection and analysis. For this reason, the first interview was completed, transcribed and a rudimentary analysis completed prior to subsequent interviews. The interviews were carried over a period of three weeks (due to individual diary restrictions). This allowed further time for transcription and data analysis as the interview schedule was completed.

Miles & Huberman (1994) provide a three-step process: data reduction, data display and conclusion drawing and verification, in one of the seminal textbooks dealing with qualitative data analysis. Robson (2011) advocated three different approaches to qualitative data analysis: quasi-statistical, thematic coding and grounded theory. All, though, seemed to follow the three-step approach proposed by Miles & Huberman (1994).

For the initial data analysis and production of a coding frame, summative content analysis was adopted (Hsieh & Shannon 2005). Data analysis started with searches for identified words and then extending the range of the search by identifying alternative terms for the original selection (Hsieh & Shannon 2005). Those words identified were treated as the start of the coding frame, within each of the research categories (treated as 'master codes') of 'decision', 'transition', 'operation' and 'general' then used as codes to carry out further analysis (Miles & Huberman 1994). These codes were then used to create a coding frame in the CAQDAS software package NVIVO 8 in order to explore the data in more detail (Bazeley 2007, Gibbs 2002).

Finally, the research undertaken was set within a commercially sensitive area. Anonymity and confidentiality were of paramount importance, both at an individual and organisational level. All references to the organisations have been

removed and none of the respondents has been mentioned by name.

4.5 Method: The Survey

Having completed the case study research, it was clear that there were substantial gaps in the research domain. A wider study was required to collect data on the volume of the different IT sourcing activities. A number of possible approaches were considered but a survey appeared to be the most appropriate, why?

4.5.1 Why a Survey?

McLaughlin & Peppard (2006) carried out exploratory secondary research to get an indication of the extent to which organisations backsourced previously outsourced IT function. However, they acknowledged that their study only covered those organisations that backsourced where the information was in the public domain. Wong & Jaya (2008) and Veltri et al (2008) reviewed the drivers for the backsourcing decision but, like McLaughlin & Peppard (2006), relied on the analysis of existing press reports to compile a list of organisations that had backsourced. It was clear from the lack of literature on backsourcing and indeed even the extent to which backsourcing is being practiced, that primary research was required to shed light in this area.

4.5.2 Survey Objectives

In order to set the scope for further research it was necessary to clarify the research areas where primary data collection and analysis might further shed light on the research domain. Firstly, the activity within the area of backsourcing seemed to be limited to a number of large, high profile deals (Veltri et al 2006). While a great deal is known about the outsourcing decision making process, the same cannot be said for backsourcing. It is also not clear what 'triggers' the desire of an organisation to look again at some or all of their IT outsourcing arrangements (McLaughlin & Peppard (2006). Within the IT Sourcing Cycle proposed in an earlier chapter, the organisation would have moved from Operation to Decision – but why? When an outsourcing contract had not reached its contractual end, what were the reasons for this review process?

The final area of interest revolves around the stakeholders within the organisation involved in the decision making process and what was considered the drivers for the subsequent decision. For example, was the process merely contained within the area monitoring and reporting on IT performance, or was it a review process that took place at the organisational level? For outsourcing, substantial research has been completed in this area, the same could not be said to be the case for back sourcing.

Identifying links between the reasons for the re-evaluation and the drivers for the subsequent decision could be very illuminating. For example, is an organisation unhappy with their incumbent outsourcing provider more likely to switch vendors or backsource than renegotiate? In summary, Table 4.7 maps the survey objectives to the overall research objectives, with the survey section (Figure 4.4) indicating the part of the survey in which the survey objective is addressed.

Research Objectives	Survey Objectives	Survey Section
(5) To ascertain the levels of back sourcing activity within the United Kingdom.	Ascertain, from the survey population, the number of organisations that have outsourced, switched vendors or back sourced some or all of their IT	2
	Discover the areas of IT that have been the subject of sourcing activity	2
(6) To understand the IT Sourcing decision process in terms of the decision makers, motives and influences.	For those that have outsourced, have they ever reached a 're-evaluation point' and if so, what action was taken	3
	Determine at what level within the organisation the 're-evaluation point' decision was taken	3
	Ascertain the importance of specific economic, strategic and social/ organisational drivers for IT sourcing decisions.	4
	Gain an understanding of satisfaction with the outsourcing vendor, be it the incumbent or former vendor	5
	Determine whether there is a relationship between perceived vendor satisfaction and the actions taken at the 're-evaluation point'.	5
	Through the use of a constructed instrument, SERVODYN, review the service relationship from the clients perspective to discover whether it can be used as a predictor of IT Sourcing decisions	5

Table 4.7 Survey Objectives

To be a meaningful study, it was necessary to collect information from a number of

organisations. One of the most efficient methods of collecting data from a large number of organisations is with a survey (Gable 1994). Surveys are generally not considered suitable for exploratory research, as most surveys are carried out for descriptive purposes (Robson 2002, Gill & Johnson 2002). This research takes the form of summative evaluation research, a combination of exploratory and descriptive, as has been discussed previously. Surveys are generally carried out for descriptive purposes (Robson 2002, Gill & Johnson 2002). The purpose of the survey approach at this stage in the research was to try to shed light on why organisations took a specific route when considering their IT sourcing strategy.

4.5.3 Survey Sampling

Given the research domain, an assessment was made that non-probability sampling, in the guise of purposive sampling, would be an appropriate sample method for the research in hand. In purposive sampling, the researcher can build a sample that meets the specific needs of the project (Robson 2011).

The issues of survey sample and delivery selection are almost symbiotic in nature; the sample size can negate a number of delivery options and the delivery options can limit the size of the sample. The sample size, however, can also be dictated by the aims and objectives of the research. For this research, the aim was to sample a UK wide population; as a result, the survey sample is the leading factor. Targeting the correct organisations for the survey to be meaningful was considered carefully. A search criterion for suitable organisations was therefore created based on the following criteria:

- Turnover had to be over £100 million – studies have shown that IT expenditure is around 2.2% of an organisation's revenue (Kang & Bradley 2002)
- More than 500 employees – this avoids the selection of Holding Companies who may not have their own IT organisation
- Organisations classified as government, local authority or public sector agency was excluded
- Only UK organisations were considered as 'in-scope' for the survey

The next issue to address was to identify to whom the survey should be distributed. Given the nature of the questions within the survey, the respondent

had to have sufficient knowledge of the IT sourcing arrangements and decisions to make the responses meaningful. The targeted sample group, therefore, consisted of senior IT personnel within each organisation. Benamati & Rajkumar (2008) noted an issue with low response within their survey when the target group were senior within an organisation

“A limitation of this study is the low response rate, 5.33% of the executive decision makers surveyed. Response rates in surveys of executive level individuals are often low due to the numerous demands on their time.” (p95)

Targeting the appropriate respondent within an organisation therefore became important. This aspect is an essential facet of the survey delivery mechanism.

4.5.4 Survey Delivery

The size and geography of the sample to a certain extent dictates the feasible survey methods. It would not be possible, for example, to visit a thousand organisations to complete the survey as a structured interview. As the aim of the survey research was to ‘to gain an insight into IT sourcing activity within the United Kingdom’ an appropriate delivery mechanism, need to be selected.

Many authors discuss the various survey distribution methods along with their advantages and disadvantages. Table 4.8 represents a combined view, along with an assessment of the appropriateness of each method to this research.

Method	Advantages	Disadvantages	Appropriateness
Paper based survey – self-completion	<ul style="list-style-type: none"> • Surveys can be posted or hand delivered 	<ul style="list-style-type: none"> • Relies on respondents returning the completed survey or on them being collected. 	<ul style="list-style-type: none"> • Possible – method may be considered ‘old fashioned’ given the audience of IT professionals
Email response survey – self-completion	<ul style="list-style-type: none"> • Wide potential audience 	<ul style="list-style-type: none"> • Possible non-delivery of email because of ‘spam filters’ 	<ul style="list-style-type: none"> • Target audience is at organisation level – more likely for emails to be ‘spammed’
Web based survey – self-completion	<ul style="list-style-type: none"> • Easier to collate results as these could be put directly into a database 	<ul style="list-style-type: none"> • Time and resource required to develop site and database design & administration • Invites would need to be sent to targeted participants 	<ul style="list-style-type: none"> • Easier to distribute but has to go to the right target audience

Table 4.8 Assessment of Survey Delivery Mechanisms

(Adapted from Robson 2002, Hussey & Hussey 1997, Bryman & Bell 2003 and Gill & Johnson 2002)

The decision was taken to carry out a web-based, self-completion survey. This method, although it seemed an appropriate method for a survey about IT being sent to IT professionals, was not without its strengths and potential weaknesses. Evans & Mathur (2005) provided a comprehensive summary of the strengths and potential weaknesses of online surveys, many of which were used as a guide when constructing the survey instrument. Granello & Wheaton (2004) also stated that although the idea of an online survey can be attractive in terms of reduced costs and ease of data entry, they could still suffer from measurement errors and low response rates like any other survey delivery mechanism.

All methods of distribution suffer the same problem of 'non-response' (Hussey & Hussey 1998). Self-completion questionnaires can suffer from being incomplete, something that can be avoided in a structured interview. (Gill & Johnson 2002) However, Evans & Mathur (2005) stated that

"Online surveys can be constructed so that the respondent must answer a question before advancing to the next question or completing the survey." (p200)

This offset the problem of item non-response highlighted by Hussey & Hussey (1997).

Given the possibility of low response (Benamati & Rajkumar 2008), it was important to get the most appropriate person within the organisation to complete the survey. Targeting an individual leads to problems obtaining that individual's email address and then motivating the individual to complete the survey and not just delete the email. This approach also assumes that the individual targeted is the most appropriate person to complete the survey. Studies have shown that contacting a named individual resulted in a higher response rate than where the invitation to participate is sent to a generic contact or department (Lacity & Willcocks 2000).

Because surveys distributed to senior executives in organisations suffer from low response rates (Dillman 2007), a decision was taken by the researcher early on to ensure that the survey invitations were distributed to the most appropriate person. The size of the sample, however, provided a problem - one of the best

ways to maximise response was to target a particular individual within the organisation, the issue was how to target the right, named, individual. Various strategies were investigated to obtain email addresses, such as looking at annual reports, marketing databases etc., but it became clear that the fluid nature of the employment market meant that data on such sources became out of date very quickly for the size of survey sample proposed. With a sample size of around 1000, sending emails to a general organisation email address risked the email being treated as spam by an organisation's email filtering system or treated as spam by the recipient. Evans & Mathur (2005) noted that 76% of scanned email messages sent to US organisations were screened as spam by software provided by an internet security firm. The use of email to distribute invitations was therefore discounted.

Having discounted the use of email invitations, the only viable alternative was to send the invitation by post. On this basis, a strategy proposed by Dillman (2007) was adopted. As noted by Dillman (2007), specific tasks within an organisation are often assigned to people with different job titles. Limiting the selection criteria to 'Head of IT', for example, may miss a number of potential respondents with similar responsibilities but a different job title. A decision was taken to send a personal invitation by post to the most senior IT person within the organisation, and asked them to pass the invitation to the appropriate respondent if it was not themselves. This strategy had the advantage of a respondent identification process built into it (Dillman 2007). The issue at this stage was still to identify the most senior possible IT respondent. In order to provide the most up to date list of potential respondents, a decision was taken to purchase a list of IT users from Computing using the Computing mi Users database.

"mi IT users data provides key named contacts (MD, FD, Head of IT etc.) from major UK end-users of IT products and services. It is designed specifically for precision sales and marketing of IT products and services to end users. Company sites are profiled in great detail from the software type used to the number of IT staff." (Computing MI, 2010a)

The individual records within the database are updated at least once a year, so the data kept on an individual and organisation is only up to a year old. Given the

fluidity of most organisations, this could be perceived as a risk in targeting the right person. However, this was accepted as the best compromise given time and cost constraints.

Other measures were taken to enhance the 'stature' of the survey request. Access to the survey was arranged via the Sheffield Hallam University website in order to increase legitimacy (Dillman 2007); the main issue was how to notify the respondent of the website address, along with a unique identifier (designed to avoid duplicate completions). This gave rise to a number of practical problems that needed to be resolved. The survey was hosted using a university account on Survey Monkey (www.surveymonkey.com). This had the significant advantage of being able to download the survey results in various forms, including as a Microsoft Excel spreadsheet. The invitation letter identified the link to the survey website at Sheffield Hallam University and explained that the survey was hosted on Survey Monkey. The web survey was password protected, with the password also included in the letter, along with a unique respondent key.

Finally, the use of the Computing mi data came with conditions of use. The purchase of the data allows the viewing of the records selected online. However, if the records need to be downloaded into an Excel spreadsheet for manipulation, it is necessary to purchase additional 'credits', i.e.

OPTION 1	OPTION 2
1 contact name, with job title	1 contact name, with job title
+ company name	+ company name
+ address	+ address
OR telephone number	AND telephone number
= 1 credit unit	= 2 credit units

Table 4.9 Computing mi Credits

Additionally,

"All downloads are for one time use only i.e. you may contact the person once by phone and once by mail only. All non-respondents from a campaign must be deleted from your database immediately." (Computing MI, 2010b)

Sufficient credit units were purchased to extract up to 1500 records under Option 1. The limitation to note here was that potential respondents could only be

contacted once by mail, so there would be no opportunity to follow up non-response.

Having set the selection criteria for suitable organisations to survey, the following criteria were used to select records from the Computing mi database;

- turnover > £100 million
- employees > 500
- organisations ≠ public sector
- organisations = UK

The extracted data from the Computing mi database was then scanned to remove duplicate entries for organisations, including those that had two or more recipients, along with group companies and their subsidiaries. Those entries that did not have a contact name were also removed. From an original extract of 1137, 794 survey invites were sent.

4.5.5 Survey Instrument Construction

Making decisions on the data to collect with the survey instrument was based on the objectives set for the survey phase of the research and revolved around five main areas; IT Sourcing activity, the decision making process, reasons for the decision, the service relationship with the vendor or in-house IT department and selected demographic data. These were then broken down into their constituent parts to form the basis for the questions themselves. Figure 4.4 represents the elements considered in scope for the survey.

Hussey & Hussey (1997), Robson (2002) and Sue & Ritter (2007) proposed a number of guidelines to be considered when constructing questions for a survey instrument, summarized in Table 4.10. These were referred to throughout the question creation process.

The survey used a number of approaches for obtaining data to answer the questions, keeping the completion of the questionnaire as simple as possible. Open and closed questions were used to facilitate responses, open questions particularly to extract a more personal response or opinion in specific areas (Hussey & Hussey 1997). Bryman & Bell (2003) provide a useful classification of question types that

can be applied within a self-completion questionnaire. For this survey, most of the question types highlighted were relevant, although most of the questions fell into the areas of *informant factual* questions and questions about *attitudes and beliefs*.

- ✓ Keep questions simple
- ✓ Do not use jargon or specialist language
- ✓ Phrase each question so that only one meaning is possible
- ✓ Avoid vague descriptive words such as 'large' or 'small'
- ✓ Avoid asking negative questions
- ✓ Only ask one question at a time
- ✓ Avoid leading questions
- ✓ Ask questions only where the respondent is likely to have the knowledge to answer
- ✓ When asking the frequency of an event, make sure the time frame is clear

Table 4.10 Constructing Survey Questions - Guidelines

Interestingly, Bryman & Bell (2003) suggest that different formats for questions about attitudes and beliefs, one the grounds that they sound similar. One of the important issues about question types and the way questions are formed is that poor question wording can lead to measurement error. Dillman et al (1999) defined measurement error as,

"The result of inaccurate answers to questions that stem from poor question wording, poor interviewing, survey mode effects, and/or the answering behaviour of the respondent." (p2)

Changing the response format can benefit measurement validity, as this would affect the answering behaviour of the respondent by differentiating between questions about attitudes and beliefs.

One type of response used a rating scale to gauge opinion,

"The purpose of a rating scale is to allow respondents to express both the direction and strength of their opinion about a topic." (Garland 1991, p1)

One of the more frequently used rating scales is the Likert scale, an approach to attitude measurement, where labels are attached to each point on the scale (Bryman & Bell 2003). An alternative to a Likert scale is a scale where labels are not attached to each point, what Hussey & Hussey (1997) term as a *"Rating scale using a continuum"* (p171). Hartley & Betts (2010) looked at the effects of changes in the

order of verbal labels and numerical values on Likert-type scales and found that different labels and numeric orders led to different mean scores. Higher means scores were attributed to scales where the verbal labels and numeric values were related, i.e. clear=10, unclear=0 (Hartley & Betts 2010), noting that having the labels and values opposite to each other (i.e. clear=0) led to some confusion in respondents. These scales were used specifically for the SERVODYN instrument, where respondents were asked to select a value on an equidistant 7-point scale.

Multiple-choice answers were also used, albeit in a limited fashion. Although suitable when there are clear premeditated responses, the difficulty was to arrive at responses that mean something to the respondents and were unambiguous (Hussey & Hussey 1997).

The first section, the demographic data, was based on the selection criteria for the data from the Computing mi database. The scale groupings for each of the elements were the same as that used by Computing mi in order to maintain consistency.



Figure 4.4 Survey Sections

For the second survey section, IT Sourcing Activity, the important data to collect

concerned the amount of IT that was subject to sourcing activity, and the areas that were in-scope. Lacity & Willcocks (1998) defined outsourcing activity as;

- Minimal (less than 20% of annual budget for IT)
- Selective (20 – 80% of annual budget for IT)
- Total (over 80% of IT annual budget)

This was used to classify the level of IT activity for outsourcing, switching vendors and backsourcing, and was adopted in subsequent research by Lee et al (2004).

The third survey section, covering the decision making process, looked at;

- Contract review – did respondents review their outsourcing agreements & what action was taken as a result
- If there was an idea to review the organisation's IT sourcing arrangement, who was responsible for triggering the review process and who was responsible for the final decision.

The fourth survey section, looking at the reasons for a decision (be it stay, switch or back) concentrating on a number of statements given to the respondents, asking how strongly they rated the importance of the statement, ranging from not relevant to very important. These statements were taken from those identified as part of the literature review and have been summarised in the following tables;

- Reasons for outsourcing – Table 2.5
- Reasons for staying in-house – Table 2.6
- Reasons for backsourcing – Table 2.9
- Backsourcing risks – Table 2.11
- Reasons for switching vendors – Table 3.3

4.5.6 Investigating the Service Relationship

The final section of the survey was an instrument that was used in a number of places throughout the survey to gauge a respondent's view of their IT sourcing vendor. This was based on the INDSERV instrument framed by Gounaris (2005a) with a few modifications so that it was more appropriate to determine the effectiveness of an outsourcing relationship. Table 4.10 represents the elements and

statements of the SERVODYN instrument.

Your outsourcing vendor...		Low---- ----High						
		1	2	3	4	5	6	7
Potential Quality	Have required personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Have required facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Has required management philosophy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Has a low personnel turnover	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hard Process Quality	Stays in budgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Meets deadlines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Looks at details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Understands our needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Soft Process Quality	Accepts tasks enthusiastically	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Listens to our problems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Open to suggestions/ideas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Challenges if necessary	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Looks after our interests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Outcome Quality	Reaches objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Has a notable effect	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Contributes to our sales/image	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Is creative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Is consistent with our strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trust	Have our best interests at heart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	No need to question their motives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Important decisions are taken without us	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Job done right even without our input	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Table 4.11 The SERVODYN Instrument

It should be noted that some of the attributes had to be reworded slightly to remain in context with the area of the survey (in-house, outsourced etc.) they were embedded.

4.5.7 Data Analysis Methods

The survey instrument (Appendix 5) contained a mixture of question types that required analysis via different techniques. All data analysis was carried out using the spreadsheet software Microsoft Excel (Versions 2007 and 2010) and the statistical package SPSS (versions 18 and 19). Once the data had been entered, various types of analysis were completed to look for trends, relationships, variance between respondent groups, etc. However, a decision had to be made at the start

of the data analysis; how to analyse the Likert scale data that played a prominent part of the data collection within the survey instrument.

When looking at the wide variety of statistical techniques available, techniques are classified into two main groups – parametric and non-parametric (Pallant 2007). Parametric data analysis is generally considered appropriate when the data fulfils four assumptions; normally distributed data, homogeneity of variance, interval data and independence (Field 2005). Parametric testing is considered more powerful (Pallant 2007). It would therefore be the preference for parts of the survey data analysis where rating scales were used, specifically for SERVODYN. However, data from rating scales is generally considered as ordinal, non-parametric data and therefore limited to non-parametric statistical analysis (Field 2005). Bryman & Cramer (2009) stated that rating scales could be treated as interval values where there are a number of alternatives, arguing that the points on the scale could be viewed as being equidistant. Thus, the data from rating scales can be subjected to parametric statistical analysis should they meet the other generally recognised conditions for parametric data (Bryman & Cramer 2009).

Two types of rating scale were used within the survey, a five-point scale and a seven-point scale. The five-point scale was used, where required, for all the questions in sections two, three and four of the survey. For some of these statements a 'not applicable' response was appropriate. As such, the replies could be considered ordinal but were not equidistant (Bryman & Cramer 2009). The seven-point scale was used for the SERVODYN instrument. SERVODYN was used to gauge opinion on the service quality and relationship with the IT service provider, be it in-house, outsourced or backsource. The SERVODYN Likert scales used in the survey were 7 point and labelled '*1 – Strongly Disagree*' to '*7 – Strongly Agree*' with numbers only labelling the outer points on the scale. This scale could be viewed as equidistant, interval data that could be rank ordered and was most likely to be suitable for parametric statistical analysis (Bryman & Cramer 2009). However, for the use of parametric statistics to be deemed as suitable, the four assumptions asserted by Field (2005) need to be tested for validity. This will be discussed

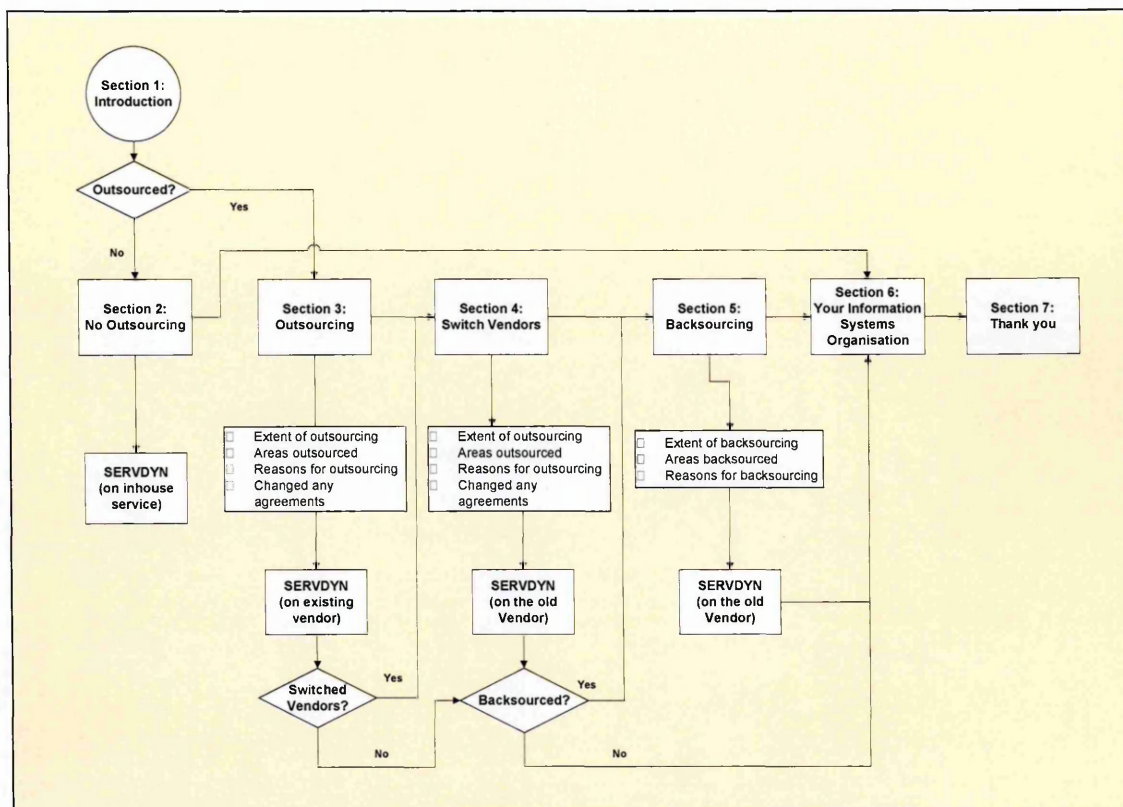


Figure 4.5 Survey Instrument Question Flow

Finally, the survey flow is depicted in Figure 4.5. This details the flow through the survey hosted on the website and was designed so that the sections completed by respondents were dictated by their responses. For example, if the response was that there had not been any outsourcing, the respondent was asked to complete Section 2 and was then taken to Section 6. 'Flow' questions were also used at the end of each section so that the next page was the most appropriate. For example, if the response was that they had not switched vendors this section was bypassed.

4.5.8 Determining Validity & Reliability - Piloting the Survey

The survey validity was verified in a number of ways. Firstly, the demographics were taken directly from the classifications used by the data providers (Computing mi). The reasons for staying in-house, with a vendor, switching vendors or backsourcing were all extracted from literature and the tables and sources are highlighted in Section 4.5.5.

The final, completed, survey (including the SERVDYN instrument) was created on

the SurveyMonkey website and eight individuals were asked to complete the survey as they wished and provide feedback. Five of the individuals worked for the same organisation as the researcher and three worked for a third party. All were asked to provide feedback on:

- Question phrasing and logic
- Flow and general ease of use
- Length of time to complete

Having received feedback and made alterations, the same individuals were asked to complete the survey again to ensure the changes made had not adversely affected the survey instrument.

A review of the survey validity and reliability is documented in Section 7.6.3/7.6.4.

4.6 Summary

Given the research objectives set at the start of this chapter, the research needs to be conducted in two phases - a combination of exploratory and descriptive research. Ericson (2001) and Jarrett (1996) both used semi-structured interviews as the basis for the exploratory stage of their research. The same approach was adopted for this research. A survey was designed around the information gained during the semi-structured interviews. This was a descriptive survey, as defined by Gill & Johnson (2002), designed to ascertain attitudes towards the subject matter.

The idea of semi-structured interviews followed by a survey, used by Jarrett (1996), allowed the information gathered in the interviews to be analysed for emergent themes and used together with the literature review to design a survey questionnaire to quantify the findings. The following two chapters detail the results of the empirical research; firstly the Case Study in Chapter 5 and the Survey in Chapter 6.

5 The Case Study

This Chapter analysis and presents the findings of the data collected during the Case Study phase of the research in light of the literature review, to build up the body of knowledge. The purpose of the case study was to build a “working definition” of IT Backsourcing from the point of view of the case study organisation

5.1 Case Study Objectives

The case study formed the first primary research phase of the overall research strategy. What became clear from the literature is that the lack of coverage of backsourcing within academic work leaves a number of unanswered questions, such as why take IT back in-house, what are the benefits and risks and so on. It appeared that primary research in the area of backsourcing was the only way to advance knowledge in terms of the key strategic and decision-making factors. To facilitate this, a case study was carried out in the area of IT Backsourcing.

For the purpose of the case study, specific objectives were proposed as a result of the original research objectives and the gaps in literature apparent for backsourcing. These can be found in Table 2.12.

5.1.1 Case Study Analysis - Setting the Scene

Van Maanen (1979) argues that the understanding of a phenomenon is enhanced by a description of the context in which the research took place; it is therefore prudent to outline the historical context of the organisation in which the research was undertaken. ClientCo is a large UK based organisation employing more than 150,000 people in UK wide locations. ClientCo, in the late 1990's, perceived a problem with business performance and believed that IT services was acting as a drag on the rest of the business and had to be addressed for the organisation to move forward. An agreement was made with VendorCo to address this perceived weakness in what was later to be described as a Transformational Outsourcing

agreement. The IT services of ClientCo were outsourced to VendorCo in November 2000. The initial contract was for seven years, extended in August 2004 for a further three years, ten years in total. The whole IT function was handed over in what is considered a 'total outsourcing' contract i.e. greater than 80% of the total IT budget (Lacity & Willcocks 1998). In October 2005, ClientCo announced that it was going to terminate the outsourcing contract with VendorCo, and would bring the IT function back in-house. The parties, at an individual and organizational level, cannot be identified. Pseudonyms will therefore be used. This is justified on commercial grounds, as any research results, be the outcome positive or negative, could affect the organisations concerned. The topic is therefore deemed controversial (Yin 2003).

This research was carried out as a single case study within the research domain described above. This stage of the research could be seen as a cross-sectional study – it was a snapshot of an on-going situation taken over a short period of time (Hussey & Hussey 1997) and completed around one year after IT had been transitioned back in-house.

Easterby-Smith et al (2002) argue for an opportunistic approach when considering gaining access to organisation for research purposes. This approach was taken as the researcher worked within ClientCo and had worked for VendorCo prior to the back-sourcing decision. Formal access had been granted within the IT Division of ClientCo by the Head of IT. Co-operation had been guaranteed through this authority, although the practicalities of such a 'guarantee' have to be seen in terms of any perceived advantage gained by the granting organisation. Negotiated access to the organisation simply involved contacting the right people for authorisation (Hussey & Hussey 1997). Easterby-Smith et al (2002) talk of the principle of reciprocity – where the organisation giving access may want something in return. In this case, the main sponsor in the organisation asked for a copy of the work generated from the research.

Permission for the study within the organisation was sought from the IT Director and the Head of IT Operations. This took the form of an initial discussion followed

by the publication of a PhD Executive Guide (Appendix 2) to both. After discussions over anonymity and the way the data could be used, permission was given to commence with the research and publish findings, provided the organisation could not be identified.

The analysis of the results from the primary research had to be completed in light of the four research questions proposed earlier. Before these questions can be reviewed, the responses in the areas covered by the case study research need to be evaluated in detail. The Interview Guide (Appendix 3) broke the semi-structured interview into four areas - decision, transition, operation and a final general section.

Before commencing with the interview plan, introductory questions were asked about their role within the organisation and whether they had read the Research Briefing (Appendix 2). This had been sent as part of the official email invitation. The latter was deemed important, as it dictated whether the researcher needed to summarize the purpose of the research at the start of the interview. All but one had read the Research Briefing. Before starting the recording device, all interviewees were asked for permission to do so, explaining that it enhanced the listening process (i.e. not having to concentrate on taking notes while they were speaking). At the time of the interview, the researcher felt it improved the data collection process by making the interview process more 'natural'. In the following analysis, specific comments made by a particular interviewee are notified by the abbreviation *INT1*, *INT2* etc. Additionally, the minutes of the Employee Consultation Forum have been referred to, with 13 meetings in total. These are notified by the abbreviation *ECFM1*, *ECFM2* etc., but cannot be fully referenced in the References section due to the confidential nature of the material.

As indicated in a previous chapter, the interviewees represented the views of two groups within ClientCo. The first group was part of the backourcing team in ClientCo (referred to as the ClientCo Project Group or CPG), with the second group being those that had been part of the original outsourcing process and had then transitioned from VendorCo to ClientCo (referred to as the VendorCo Senior

5.2 The Decision

The first part of the interview specifically focused on the rationale for reviewing the outsourcing agreement, the decision making process and the options considered as a part of the process.

5.2.1 Reasons and Benefits

Interviewees were asked what they thought were the reasons for back sourcing. Three reasons in particular came through very clearly; strategic change cost and control.

5.2.1.1 Strategic Change

Firstly, strategy seemed to be one of the main drivers for change and the back sourcing decision, on a number of levels. The theme here was that the business was going through a significant business change in the shape of a recovery programme (*INT1, INT2*). It was seen that the organisation had “lost its way” and that IT had too (*INT2*). This was associated with a change in the perception of IT; it was seen as strategic and crucial to improving the organisation’s performance (*INT1, INT2, INT5*). This seems to concur with the findings of others (Whitten & Leidner, 2006 and McLaughlin & Peppard, 2006) that IT had shifted in perception from commodity to strategic. It may also explain why, when looking at alternatives (discussed in more detail shortly), switching vendors was dismissed as being too similar.

The decision to backsource IT was seen as the right decision by the business (*INT6*), probably in part due to the backing it received from the CEO (*INT5*). The driver for strategic change seemed to be a ‘*reconstruction*’ as defined by Scholes et al (2011), often associated with a ‘*turnaround*’ situation where there are major structural changes or a major cost-cutting programme. This seemed to encapsulate the recovery programme undertaken by ClientCo initially, but the extent of the strategic change goes beyond this, additionally involving a cultural change. This made the strategic change required ‘*revolutionary*’, with the requirement to reverse

a relative decline in the market (Scholes et al 2011). Such a situation is ironic, given that IT was seen as one of the reasons for a decline and given as a justification for outsourcing originally (INT2).

5.2.1.2 Control

Control was also seen as a key issue, typified by the statement

"The ability to own the picture, as opposed to anyone else deciding what the picture looked like, in terms of how IT was run, executed and operated." (INT1)

The issue was perceived as being whether VendorCo was making the best decisions, in terms of IT, on behalf of ClientCo. Because the agreement was total outsourcing, VendorCo negotiated all third party contracts for IT on ClientCo's behalf. It was suggested by (INT1) that ClientCo could not make a judgement on the appropriateness of those decisions because there was no information from VendorCo on such matters and, as a result, ClientCo were unable to set the direction for IT. Effectively ClientCo requested a solution to a business problem and VendorCo provided the IT solution (INT2, INT6). It was argued that VendorCo operated a complex model (INT4, INT5), much of which could not be seen by ClientCo (INT1, INT2, INT3).

Shepherd (1999) found that strategic control for the client was important when considering changes in IT. Without this control, it was maintained that the vendor might make decisions that could inhibit the future ability of the Client to accommodate future business and technology change (Shepherd 1999). Shepherd (1999) believed that the balance between strategic control and stopping the vendor from introducing IT change that forced business change was a delicate one. For ClientCo, it was clear that the necessary controls were not put in place from the beginning of the agreement, but was introduced around 3 years into the agreement (INT6). Barthélemy (2003) stated that

"...it is crucial to retain a small group of managers to manage the vendor." (p92)

It would seem for ClientCo that the necessary strategic control was introduced a little late, because

"What you get is a set of IT professionals (i.e. VendorCo) making judgements on the business. And you can have conflicting objectives there, like what a fantastic opportunity to test out new technologies, new ideas, because "Hey, it's not our risk,

it's their risk". I'm not saying VendorCo set out to do this, but what a fantastic opportunity." (INT2)

An interviewee (INT2) made an interesting point when talking about the origins of the relationship between ClientCo and VendorCo. The view was that executives within ClientCo essentially abdicated responsibility to VendorCo. Bandyopadhyay & Pathak (2007)

"The analysis shows that when the degree of complementarity of knowledge between the employees is high enough, better payoffs can be achieved if the top management enforces cooperation between the employees. In these situations, the involvement of the top management extends far beyond negotiating the contract to make the outsourcing successful." (p349)

In contrast to Bandyopadhyay & Pathak (2007), the lack of involvement from the top management in ClientCo after the outsourcing process was completed led to a lack of control of the outsourcing contract itself (INT2).

A lack of control and the frustration this caused within ClientCo could also be illustrated by the way the performance of VendorCo was monitored and measured. This revolved around the perception of service quality – driven by SLAs that were not relevant for the business. A service availability of 98%, as laid down in the contract, may have been met, but 2% unavailability could mean major operational problems within the business (INT1). The perception was that VendorCo was 'hiding' behind the SLAs even when it may have been possible to improve service quality overall. INT4, for example, expressed the view that ClientCo were frustrated that there was little in the way of performance information over and above those required within the Service Level Agreement.

This idea of measurement of the agreement can be extended further, and goes some way to explaining the frustrations of ClientCo. Tiernan & Peppard (2004) make a valid point when reviewing business benefits and IT spend. They maintained that a benefits plan should be created so that a link is made between the IT spend, the business spend, and the business benefit predicted at the beginning of the project. They go on to argue that the benefits only accrue after the IT implementation and once these new levels of sales and costs become business as usual. The costs of the new IT system would not register as bringing the business

benefits but would just be seen as an IT cost to be attacked. More importantly, there is often a disconnect with the business if the business benefit did not materialise. The key here, that Tiernan & Peppard (2004) advocate, is the business function should be accountable for the IT expenditure made on their behalf, specifically for the business benefit (also known as the 'value add') that should accrue. For ClientCo, during outsourcing, there were two figures to consider in terms of IT spend; a fixed annual fee for systems support and maintenance (operations expenditure) and costs for each project undertaken. Because the annual cost & the cost of implementing each project could not be easily reconciled year on year by ClientCo (*INT2*), it was not possible to work out the 'value add' to compare against the business benefit. This lack of transparency in terms of vendor pricing and cost structure is not uncommon (Deloitte 2005). Did this lack of transparency mean that ClientCo saw 'one big figure' and perceived it as a cost to be attacked? Perhaps, as the CEO's perception was that IT using VendorCo was not providing value for money (*INT1, INT2*).

The structure of the outsourcing agreement and the charging model led to another cause of frustration. A number of interviewees (*INT1, INT2, INT4*) stated that the original outsourcing agreement was not a typical one. IT was handed in its entirety to VendorCo to manage and improve service and quality. *INT1* went further, stating that it was not a true outsourcing agreement because of this, but that a complication had been introduced with infrastructure assets owned jointly by ClientCo and VendorCo. Generally, with many different types of outsourcing agreement, such assets are owed by either party, not usually both. According to Gurbaxani (2005), the vendor often owns the necessary infrastructure on which to provide the outsourcing service, in many cases incurring considerable cost in advance to do so. Such an investment leads to transaction costs that have to be recouped over the life of the outsourcing contract (Aubert et al 2004, Lee et al 2004). In this case, however, VendorCo did not have to purchase infrastructure in advance, it was already in existence and was handed over to VendorCo to manage.

5.2.1.3 Cost Savings

Finally, looking at cost issues, the mantra that came across from the interviewees that were part of the ClientCo Project Group was *"Fit for purpose, value for money."* (INT1) Cost savings were seen as the main driver for the decision to backsource IT (INT1, INT2, INT4, INT5, INT6).

The cost savings articulated by the interviewees can be broadly divided into two distinct groups; those attributed to the cost of doing business with VendorCo and those savings that were anticipated as a result of re-negotiating contracts held by VendorCo as part of the outsourcing agreement, i.e. economies of scale that ClientCo alone could not achieve. However, the cost of doing business with VendorCo through the outsourcing agreement was perceived as being excessive. This had shown itself in a number of ways. One of the original objectives of the agreement was for VendorCo to replace existing legacy systems (INT1, INT6), for this service ClientCo were paying what was seen as a premium rate (INT3). This led to a number of issues that built up as the agreement progressed over time. For example, the original contract laid out a number of systems to be replatformed in the first two years at an agreed cost (INT1, INT2).

New projects after the agreed two years of work were seen as expensive (INT4) and, as a result, ClientCo as a business could not do everything that was planned (INT6). This resulted in VendorCo not being asked to do something because of the cost involved, leading requests building up that held back business change and innovation (INT4, INT6). Where a vendor is seen as expensive, the client sometimes has the option to seek an alternate supplier. This was not an option for ClientCo, as an exclusivity clause had been built into the outsourcing agreement that meant that VendorCo had to be used for all IT requirements (INT2, INT4).

Finally, the outsourcing contract had been drafted in such a way that VendorCo could apply their margin (an agreed fixed percentage) on top of whatever a third party charged for services, this increased the cost for everything that VendorCo supplied to ClientCo (INT4). Given that VendorCo negotiated these third party contracts (for such things as telecoms, equipment, software purchase &

maintenance costs etc.) and then applied a fixed margin in addition, a potential conflict of interest is palpable. It was not in VendorCo's best interests to reduce these third party costs as this would also reduce their own income (*INT2, INT4*). Thus, the decision to backsource immediately produced cost savings by removing the VendorCo margin (*INT2, INT4*).

ClientCo believed that savings could be made post transition by re-negotiating third party contracts directly, based on the suspicion that VendorCo did not make any real attempt to reduce these costs (*INT1, INT2*). This desire to re-negotiate these contracts was driven by the fact that ClientCo became aware that a number of these contracts were due for renewal (*INT5*).

Whitten & Leidner (2006) found that those that switched vendors or backsourced perceived the costs of doing so were roughly the same. They went on to speculate that the lower cost expectations of those that backsourced for set-up costs may be due to a lower product and service expectation on the part of users. The implication is that organisations backsource because of poor product and service quality (Whitten & Leidner 2006), a perception that will be discussed further in the Survey chapter. However, poor service quality provision from VendorCo was not an issue for ClientCo (*INT4, INT5*). As service continuity, and service quality by association, was considered as one of the critical success factors, it would seem that the higher switching costs associated with maintaining a higher service quality did not deter the backsourcing decision.

The net result of the decision to backsource was that ClientCo calculated that the payback period (PBP) for the backsourcing project was 2 years (*INT2*). Verhoef (2005a) defined the payback period as

"...the time it takes for an investment to become cash flow positive." (p330)

Payback periods vary from project to project and the acceptability of the PBP is a judgement of the organisation. Scholes et al (2011) stated that PBP is a simple measurement often used when it is difficult to forecast accurately, implying that the risk of the project is also high. A payback period of 2 years was acceptable to ClientCo (*INT1*), seeming to implicitly acknowledge that the risk of the project was

high by using the payback period as the measure of success.

"There are not many projects you do where you can realise the benefits within two years. The cost savings we could achieve by bringing IT in-house, cutting out the VendorCo margin, then go directly with the third parties we were working with VendorCo with the mark-up on etc. etc. and paying VendorCo all the exit costs, we could write off in two years. So, that was pretty much a no brainer." (INT2)

Finally, the cost of back sourcing was reduced because of the way the original outsourcing agreement was structured. The ownership and control of specific assets has already been discussed, what reduced the costs of back sourcing for ClientCo was the fact that VendorCo kept the ClientCo's IT as an autonomous unit (INT5, INT6). No attempt was made by VendorCo to amalgamate ClientCo's IT into the rest of its business. However, the structure of asset ownership discussed earlier, where ClientCo half-owned and then fully owned the IT infrastructure; offset a number of the disadvantages associated with outsourcing. The first of these is often when the vendor obtains control of the IT assets they can be used for the benefit of other vendor clients (DiRomualdo & Gurbaxani 1998) or data centre consolidation is carried out (Lacity et al 1996). These represent two ways in which a vendor can obtain economies of scale to reduce transaction costs. Moreover, such commercial leveraging includes people, systems and technology. The difficulty for an organisation wishing to backsource after a vendor has carried out such an exercise is working out what assets are in scope for the move back to the client. One example could be a specialist worker on a client's systems would not be in scope to transfer back to the client unless they are 'assigned' to ClientCo under the 'Transfer of Undertakings (Protection of Employment) Regulations 2006', where an employee

"...is 'assigned' if they are part of the organisational framework of the transferring service." (TUPE 2011)

Although there have been a number of UK Employment Tribunal decisions that tighten this definition, the distinction between who is and is not in scope for transfer is an area covered in greater detail in a following section.

Putting aside until later in this chapter the complications of the issues around employees 'in scope' of transfer, the perception of ClientCo was that it was "...easy to bring it back" (INT1).

"You could still describe the ClientCo entity, so actually, given the culture of the company, and the fact that we had a very defined model, the simple way was just to take it back, just take control of it." (INT2)

5.2.2 The Decision Makers

The trigger for the review of the outsourcing agreement appears to have been provided by the new Chief Executive Officer (CEO). A management consultancy were engaged by the CEO to look at the outsourcing agreement, with the final report being delivered some 15 months before the outsourcing agreement was terminated (*INT2*). The engagement of a consultancy to review IT was completed as part of a wider review of the whole organisation, such a review of IT can often being associated with a change of CEO, leading to a decision to reconsider the value of the outsourcing contract (McLaughlin & Peppard 2006).

The view from that report, from the CEO's perspective, was that the outsourcing agreement with VendorCo was not in the best interests of ClientCo during the recovery programme. The recovery programme was a result of strategic change introduced throughout the organisation (*INT2*) and it was therefore deemed "culturally right" to take the decision to backsource as part of a desire to take control at all levels within the organisation (*INT6*).

It was felt by VendorCo that the decision to backsource had been made by the CEO prior to the commencement of re-negotiations with VendorCo (*INT5*) with the impression that the decision was made and that the discussion was "*for politeness*" (*INT5*). Fan (2000) looked at the decision process for outsourcing and found that the decision was often made early in the process and that the business case was made to endorse the decision. It would seem that what applies for outsourcing also applied for backsourcing. In the case of ClientCo, the CEO made the decision early, the rest, as they say, is history.

One outcome of the management consultancy report was that, having decided to take action, the CEO replaced the IT Director, who was seen as being "*too close*" (*INT6*) to the outsourcing agreement and required a "*new face*" (*INT6*) if the relationship with VendorCo was to change. Earl & Feeny (1994) noted a similar

situation where

"Faced with the need to make radical changes in the company's culture, business processes, and cost structure, the CEO recognised IT's enabling potential. He recruited a CIO who accepted responsibility to rapidly deliver a new set of systems to underpin a new way of doing business." (p12)

The replacement IT Director was seen as someone with a history of back sourcing, so it seemed clear the path chosen by the CEO from the outset (*INT4*).

So, were any other courses of action considered? The interviewees indicated that other than bringing IT back in-house a number of other courses were considered, such as re-negotiating the deal (*INT1, INT3*). Renegotiation did take place over a period of three months prior to the decision to backsource, with the possibility of offshoring some of the IT function to reduce costs (*INT2*) proposed by VendorCo. Offshoring was discounted because it would have left ClientCo in the same position from a strategic perspective (*INT1, INT2*).

Moving to another supplier (*INT2*) was another option looked at briefly (*INT2*). This was discounted as being *"more of the same"* (*INT2*), as was the idea to break the outsourcing agreement into smaller pieces (*INT2, INT5*). This did not fit with the overarching strategic change within the organisation and the primacy of regaining control in all areas of the organisation (*INT6*).

One of the major considerations during the decision process was driven by the nature of the agreement between ClientCo & VendorCo. The view of this was that it did not represent a standard outsourcing agreement. VendorCo had actually been contracted to manage the whole of ClientCo's IT services as a complete unit (*INT2, INT6*) and it was therefore easier to consider bringing the whole IT division back in-house.

"VendorCo made no attempt to make any synergies by combining ClientCo's operations with other VendorCo owned operations." (INT6)

In fact, it was stated that back sourcing was only considered possible because the VendorCo IT for ClientCo was a self-contained, well-defined unit (*INT1*). This comes back to the issues of ownership and control of assets mentioned earlier, along with the idea of extending the organisational boundary (Quelin & Duhamel

2003). However, because the IT organisational boundary was clearly defined, the entity to backsource was clear (*INT2*).

As an illustration of how seriously other alternatives were considered, *INT1* stated that ClientCo had “*never got to a benchmarking exercise*” for any option other than back sourcing

5.2.3 Considering and Mitigating Risk

ClientCo recognised three critical success factors for the back sourcing project from its inception; continuity of service, maximise staff retention and successful contract novation. The first two, continuity of service and staff retention, are inexorably linked

“...back sourcing can be problematic, especially when a firm transfers highly customized IT equipment, personnel, or functions to outsourcing vendors. In such cases, the firm may be unable to quickly replace the unique resources and thus may become completely dependent upon its vendors.” (Hall & Leidtka 2005, p99)

The main risk identified by all interviewees revolved around continuity of service to the business. The main objective that became apparent was the desire for the business not to see any change between the outsourced and back sourced IT service, that the service provided to the business after transition was the same as, or better than, the service provided under the outsourcing agreement (*INT4*). This was measured by the number of critical problems encountered during the period after the transition (*INT2*). Terminating the contract part way through was seen as a major risk, so the transfer from VendorCo with no service impact to the business was seen as one of the critical success factors (*INT1, INT2, INT4, INT5*).

One of the main contributing factors to the risk of disruption to the service was identified as possible loss of staff and technical expertise because of back sourcing. One interviewee stated that

“... we didn't know how many staff would turn up for work on Day 1.” (*INT1*)

The reason for this is that although the Transfer of Undertakings (Protection of Employment) Regulations mentioned earlier protects the rights of employees, employees can terminate their employment by not attending work on the first day

of being transferred to the new organisation. The difficulty for the new organisation is that they do not have to be informed in advance; non-transfer is considered a termination (Lewis 2005).

Brooks (2006), when looking at the factors influencing staff attitude, concluded that outsourcing can have a negative influence on turnover intention. Brooks (2006) talked about a concept of '*job embeddedness*', the idea that an individual perceives the way they and their job fits within an organisation. Any change in this perception increases the likelihood of that individual voluntarily moving to another job, i.e. their turnover intention (Brooks 2006). Outsourcing was seen as one aspect that could lead to an individual increase their turnover intention, depending on how the outsourcing process was managed. In the case of back sourcing, it would seem this also applies. Gaertner & Nollen (1989) were more specific, finding that an employee's psychological commitment to an organisation

"...is higher among employees who believe they are being treated as resources to be developed rather than commodities to buy and sell." (p987)

It would seem that in the case of both outsourcing and back sourcing, an employee's psychological commitment could be influenced. For outsourcing, the influence could be perceived as negative, concurring with Brooks (2006) assertion that outsourcing increases turnover intention. For back sourcing, however, it would seem that the influence is not so clear. Within the case study, the efforts of ClientCo to encourage staff to transfer back to the organisation could be perceived as a desire to retain and develop staff.

Knowledge management and the retention of essential knowledge workers was identified as a key risk of back sourcing, given that the majority of those moving back in-house had been outsourced by ClientCo previously. One interviewee stated

"The other risks around that were that the people, the expertise, would not wish to backsource again. They'd been outsourced and were now being back sourced again and would want to stay with VendorCo or not come back to ClientCo or lost faith or trust with ClientCo, so there was a big issue around the colleagues retaining their good will because we had to keep the operations running so had to keep the faith of the existing teams." (INT6)

The idea that staff might suffer from sort of fatigue as a result of being outsourced

and then backsourced, with a reluctance to return to the original organisation was termed as the 'Whiplash effect' by Overby (2005). This 'Whiplash effect' further complicates any attempt made to retain staff, illustrated by *INT4* who stated that a number of staff were "*cheesed off*" with the prospect of being backsourced to ClientCo.

Another area that was considered a risk as part of the process was that of unexpected costs during the process. For example, because of lack of expertise with backsourcing. Bahli & Rivard (2003) highlighted this issue for outsourcing and it was certainly a consideration for ClientCo, although this was mitigated by the engagement of a consultancy,

"A third party consultancy who were specialists that had done backsourcing before and who's advice was sought on the direction to go in." (INT6)

The final critical success factor was seen as the contract negotiations with third party suppliers. The transfer of these contracts from VendorCo to ClientCo was perceived as a key activity - unsuccessful contract novation could lead to ClientCo being the subject of legal action by suppliers (*INT5, INT6*).

Risk mitigation was seen as a key concept throughout the backsourcing process and, specifically, during the Transition phase. Plans were put in place to mitigate the risks identified as part of the decision process although, as became clear, the extent of some of the risks were not apparent at the start of the process and only became visible during the transition (*INT2*).

5.3 The Backsourcing Transition

This section of the interview process dealt with the transition phase of the backsourcing process and concentrated on the activities carried out and the resultant issues - anticipated and unforeseen.

The backsourcing transition was highlighted by three key elements: the ClientCo/VendorCo relationship, staff transition and on-going activities that had to continue regardless of the transition. Before these elements can be explored in more detail, it is important to look at the setting in which the transition process

was played out.

5.3.1 Setting the Scene

The transition process for ClientCo was driven by the critical success factors identified and articulated in an earlier section, and acted as a focus for the activities carried out by ClientCo's backsourcing project team (*INT1, INT6*). It was necessary to carry out adaptations and changes in approach during the transition because of the issues that arose during the transition itself (*INT3, INT4, INT5*).

From the point of the decision announcement, ClientCo stipulated a strict timetable for the transition, setting a fixed handover date (*INT1*). The transition itself did not get off to the best of starts due to the way the agreement termination was handled (*INT2*). Throughout the re-negotiation process VendorCo did not believe that ClientCo would terminate the agreement (*INT5*) and judged that ClientCo were not capable of backsourcing (*INT2, INT5*). Observations were made by the interviewees that VendorCo were complacent (*INT4, INT5, INT6*), to the extent that they were shocked when ClientCo announced the decision to backsource IT, and maintained that the decision would be reversed when the size of the task eventually 'hit home' (*INT2*). Even during the transition VendorCo believed that ClientCo were not capable of completing the backsourcing process, with *INT2* stating that VendorCo appeared arrogant, believing that only they could operate ClientCo's IT. Perhaps this is a manifestation of what VendorCo believed was their level of power over ClientCo. However, it was also stated that VendorCo ultimately did not want the backsourcing process to fail, simply because such a situation could potentially damage their brand image (*INT5*).

The deterioration of the relationship led to a number of issues that were to shape events for the first three of the six-month transition period, the main one of which was the complete collapse of the relationship between ClientCo and VendorCo.

5.3.2 The Failed Relationship

Once the decision to backsource had been announced, the first order of business was to agree an exit plan between the two parties, built from the exit strategy

outlined in the contract agreement. Such an exit strategy is considered important when an outsourcing contract is drawn up (Barthélemy 2003, Juras 2007, Gottschalk & Solli-Sæther 2005). Lewis and Welterveden (2003) state that any outsourcing agreement should contain exit provisions with an obligation on the part of the supplier to ensure that there is a smooth transition of the services, either back in house to the client or to a third party provider, with minimum disruption to the business. This was discussed in more detail in Chapter 3. During a survey by Deloitte (2005), one of the respondents stated

"Now that we are bringing the function back in-house, we are dependent on vendor cooperation to transfer the knowledge." (p10)

This suggestion that the client is dependent on vendor cooperation was a major issue throughout the transition. Although an exit strategy was built into the original outsourcing contract, negotiations were complicated by two factors - the ambiguity of the exit strategy clauses and the reason for termination, i.e. 'for convenience' (*INT2*). The latter meant that a protracted period of time (3 months) was spent on negotiating termination conditions including compensation to VendorCo (*INT2*) and the Transition Plan was signed off by both sides only a month or so prior to the completion of transition (*ECFM11*). It was noted that these negotiations became somewhat heated, to the point where all meetings between the two parties included lawyers (*INT2*) and that the relations between the parties were at their lowest ever during transition (*INT1*). The fallout from this was articulated as problems in a number of areas, with VendorCo exhibiting opportunistic behaviour. Clemons & Hitt (2004) identified three types of opportunistic behaviour, the most notable exhibited by VendorCo being an abuse of power. This was demonstrated during transition by VendorCo denying access to IT staff (*INT3*). After negotiation, VendorCo allowed ClientCo to carry out 'technical interviews' but only with a senior manager from VendorCo present (*INT2, INT3*).

Amid the animosity within the relationship, ClientCo drew up contingency plans

"We had a contingency plan that basically said that we'll do it next week... just do it, cut and run. That way you stop VendorCo from being able to put obstacles in place. So basically as long as we have gone through the right notice period as set by

TUPE so we had the date set and we could essentially say, well we are going to do it. Cut the crap, cut the conversations.” (INT2)

This statement alone seems to summarize the extent to which the relationship had broken down.

5.3.3 Staff Transition

Staff transition consumed a major amount of effort during the transition phase (INT3) and concentrated on one of the critical success factors identified earlier, that of maximising staff retention. The objective for ClientCo was to transfer as many staff as was possible. It also proved to be one of the major areas of conflict between ClientCo and VendorCo.

VendorCo refused to grant ClientCo access to the employment records of current staff, stating that it was their job to manage those staff until handover (INT2, INT3).

“We couldn’t go and engage with colleagues directly because VendorCo said that until the day they came over they are ours so keep your hands off.” (INT2)

This stance differs significantly from an outsourcing transition. In this case, the client wishes to maximise staff transfer to the vendor to ensure a smooth service transition. Gottschalk & Solli-Sæther (2005) stated that the exit strategy should contain a section on the access allowed to staff. It is not known if such a section existed but if absent, may explain a number of the problems faced by ClientCo during transition. As a compromise, VendorCo did agree to provide a list of names and job titles on a regular basis (INT1). However, these lists were provided in different formats and layouts each time they were supplied making it difficult for ClientCo to make accurate comparisons to gauge changes (INT3).

It also became clear that VendorCo were, as one interviewee put it (INT6), playing ‘fast and loose’ with staff supposedly covered by TUPE regulations, with those that should have been covered by TUPE provision changing on a weekly basis (INT3). It is important, at this stage, to clarify the meaning of TUPE within United Kingdom legislation,

“The purpose of TUPE is to protect employees if the business in which they are employed changes hands. Its effect is to move employees and any liabilities

associated with them from the old employer to the new employer by operation of law.” (OUTLAW.COM 2011)

An employee is considered in scope of TUPE if they are assigned to the service being transferred,

“An employee is ‘assigned’ if they are part of the organisational framework of the transferring service. It is not sufficient that the employee works part of the time for the service.” (TUPE 2011)

However, VendorCo reserved the right to ‘poach’ whoever they wanted (INT1), even when it was agreed that certain individuals would transfer (INT2). There was nothing ClientCo felt they could do to stop this predatory behaviour (INT2), eventually taking the view that if individuals wished to stay with VendorCo they could not be forced to transfer whether or not they were in scope as far as TUPE was concerned (INT3).

Action was taken to minimise the risk of losing staff, the main one of which was to offer ClientCo Terms & Conditions of Employment from the date of transfer. TUPE requires that any transferee be subject to the same Terms & Conditions in the new organisation as they had in the old. This can lead to difficulties when trying to harmonise these Terms & Conditions (TUPE 2011). ClientCo therefore proposed a Compromise Agreement to be signed by transferees (INT3)

“A Compromise Agreement is a legally binding agreement following the termination of your employment. It usually provides for a severance payment by your employer, in return for which you warrant not to pursue any claim you may have to an employment tribunal.” (Compromise Agreements 2011)

Why did ClientCo take this action? Firstly, TUPE (2006) states that the Terms & Conditions under which a transfer takes place cannot be varied for a year, so the Compromise Agreement was a way of ‘terminating’ the old Terms and transferring staff on ‘better’ terms aligned to ClientCo’s own Terms & Conditions of Employment (INT3). Secondly, it was perceived by ClientCo as a way of showing the potential transferees that they were deemed important

“And because we felt that we were potentially at risk with all the flak that was going on that what we would do is go out of our way to show our commitment, you know, that we were serious about the thing. So we offered ClientCo’s terms and conditions and that took a hell of a lot of effort because TUPE is quite well laid out, i.e. this is what you can have.” (INT2)

This could be considered as a measure to minimise the turnover intention of staff

(Brooks 2006). However, the individual Compromise Agreements were not made available until three weeks before the transition was due to complete (*ECFM13*), although the general terms and employee grade mappings were available around six weeks prior to transition completion (*ECFM12*) when they were shared with Employee Consultation Forum Representatives. Around 95% of those that transferred signed the Compromise Agreement. It must be borne in mind that this may have been due in part to a guaranteed bonus worth 15% of the annual salary payable some three months later (*ECFM12*). This bonus was part of the profit sharing agreement already in place within ClientCo, built into the Compromise Agreement. The difference was that the level of bonus for IT staff transferring to ClientCo was guaranteed.

One comment by an interviewee sums up the situation in terms of staff transfer,

“When outsourcing, ClientCo had to declare the number of people transferring, along with their job details. When back sourcing, VendorCo did not have to agree the number of people going back.” (INT4)

5.3.4 On-going Activities

Whilst the transition was in progress it was clear that the day-to-day activities still had to be completed - the service provided to ClientCo had to be maintained. To facilitate this VendorCo brought in a senior manager from another division of VendorCo to manage and oversee the transition process, allowing the existing senior management to continue to oversee the service provision (*ECFM1*). ClientCo requested that the VendorCo Head of IT stay until the end of transition to ensure that service continuity was maintained (*INT1*) and paid VendorCo for his services and for those of other senior managers seen as key to service provision (*INT4*). ClientCo also took other steps to ensure the service ran smoothly during the transition. There was

“A lot of work with VendorCo on the continuity of service during the transition period. A lot of due diligence, and a lot of interim management brought in.” (INT1)

It was not clear if the additional work completed with VendorCo around maintaining service provision at the outset of the Transition phase had been

factored into the original backourcing project costs. It is clear that ClientCo paid for additional VendorCo senior management to ensure the backourcing work was kept separate from the service provision. Over a six-month period, this may have amounted to a considerable sum and represented a cost that other organisations considering backourcing would need to include in any backourcing cost calculations.

It was acknowledged at this stage that there would be a shortage of development resource because VendorCo tended to staff development projects with VendorCo employees seconded from outside the ClientCo dedicated unit (*INT3*); this was mitigated by various methods discussed in more detail in the Operation section of this chapter.

5.3.5 Knowledge Management

Next to staff retention, knowledge transfer and management were seen as key areas. Loss of knowledge was addressed through the efforts on staff retention, the risk there was losing members of staff with important local knowledge (*INT1*, *INT3*) that could never be recovered (*INT1*). It was recognized that staff with more transferable skills were lost during the transition process (*INT4*), those that decided they wished to work for an specialist IT company rather than within IT in a company in another line of business (*INT3*, *INT6*).

Bloodgood & Salisbury (2001) categorise knowledge as explicit or tacit; explicit knowledge is easily expressed and codified, tacit knowledge is

“... that which is difficult to articulate and express to others.” (Bloodgood & Salisbury 2001, p56)

The importance of the categories of knowledge depends on the change strategy being undertaken within the organisation (Bloodgood & Salisbury 2001). If the change strategy was that of ‘*Reconfigure with new resources*’ (Bloodgood and Salisbury 2001), then explicit knowledge becomes more important, as an organisation is more likely to use explicit knowledge related to the new resources (i.e. IT). The importance of explicit knowledge is highlighted further when the change is to acquire resources but not reconfigure them (Bloodgood & Salisbury

2001). This was the case for back sourcing, where the purpose was to bring IT back in-house, stabilise the service and then move forward (*INT5*). This, however, relies on the explicit knowledge required being codified or recorded in some way.

The issue of knowledge management for back sourcing becomes more difficult when trying to categorise the knowledge to be transferred in terms of IT technical staff. This can be split into two general classifications; the knowledge and skills to carry out a specific job function or role, (i.e. analyst programmer, network systems administrator, etc.) and knowledge of the specific systems used by an organisation. For the latter, this knowledge could be as simple as where documentation is stored, or as tacit as workarounds for 'undocumented features' i.e. known bugs. It was the knowledge of specific systems that made the transfer of staff from one organisation to another during outsourcing or back sourcing so important to the smooth running of the IT service. For ClientCo, not having access to existing IT staff meant that they did not know what job roles needed filling during the transition process (*INT2, INT3*), an issue that could not be rectified until post-Transition.

However, because the IT system and application documentation were poor (*INT4, INT5*), it was the knowledge of the existing employees that became important, along with the retention of those employees – thus the use of the Compromise Agreement mentioned earlier.

Lei & Hitt (1995) highlighted a danger in outsourcing

“...an over reliance on outsourcing may trap the firm into growing dependence in which it loses its knowledge and skill base to the outsourcing partner.” (p853)

As was noted in Chapter 3, Gottschalk (2006) maintained that knowledge management was key in the transfer of operations between the two parties taking part in an outsourcing relationship; it is not unreasonable to expect this to apply to back sourcing. Retention of staff, discussed earlier, was seen as a key contributor to maintaining explicit knowledge, as system documentation handed over by VendorCo was not seen as totally reliable or comprehensive (*INT2, INT6*). It was important, therefore, that key knowledge workers were targeted for interview

during the transition process. It was not possible to identify key individuals (*INT3*), so technical interviews were carried out with those in key positions within VendorCo (*INT2*). It was these interviews in which a senior manager from VendorCo had to be present (*INT1, INT3*).

Table 5.1 is a summary of the critical success factors, issues, action taken and the stage of the process at which the issue was identified.

Critical Success Factor	Issue	Action Taken	Stage Identified
Continuity of service	Loss of senior management	<ul style="list-style-type: none"> Interim managers recruited to cover short term loss of senior management Retain VendorCo professionals as secondees for three month period after transition 	Decision
	Lack of knowledge of backourcing process	<ul style="list-style-type: none"> Engagement of third party consultancy with backourcing experience to guide ClientCo through the required processes 	Decision
	Deterioration of relationship with VendorCo	<ul style="list-style-type: none"> Contingency plan to speed transition if relationship broke down completely 	Decision
	Loss of IT technical knowledge	<ul style="list-style-type: none"> Technical interviews with key personnel during transition period 	Transition
Maintain ability to manage IT and IT systems	ClientCo management knowledge focused on monitoring an IT outsourcing agreement rather than managing an IT Division	<ul style="list-style-type: none"> None identified by interviewees 	Decision
	Incomplete system documentation (<i>INT2</i>)	<ul style="list-style-type: none"> VendorCo asked to complete documentation as part of transition activities 	Transition
Maximise staff retention	VendorCo "cherry-picking" staff	<ul style="list-style-type: none"> Offer of ClientCo Terms and Conditions above those available under TUPE prior to end of transition period Regular lists of those in and out of scope provided by VendorCo to try and track exposure Acknowledgement that such action could not be stopped 	Transition
	Loss of essential knowledge workers	<ul style="list-style-type: none"> Employment Agency engaged (operating within the HR team) to "recruit at speed" Formation of an elected Employee Consultative Forum to represent the views of all those in scope of TUPE 	Transition

Critical Success Factor	Issue	Action Taken	Stage Identified
	Lack of development capability	<ul style="list-style-type: none"> • All development activities put on-hold • Three year contract with VendorCo for fixed rates on development work that VendorCo can choose to bid for 	Decision
Successful Contract Novation	Third party contracts not transferred (novated) from VendorCo to ClientCo	<ul style="list-style-type: none"> • Specialist contract consultant engaged to ensure all contracts are novated from VendorCo to ClientCo 	Decision
	Open to legal action if contracts not novated correctly		
	No support from third party vendors due to lack of contract		

Table 5.1 Transition Risks and Issues

This table shows that although a number of issues were identified during the Decision phase, there were a number that did not become apparent until the Transition phase itself.

Is the issue of knowledge transfer and management more important for back sourcing? With outsourcing, it is in the best interests of both parties for knowledge transfer and knowledge management to be a focus of attention. Any gaps in knowledge can be addressed as the outsourcing agreement progresses because there is an on-going relationship. For back sourcing, once the transition has been completed the vendor is no longer tied to the client unless there is a post-termination contract in place for such activities. As such all knowledge management and knowledge transfer activities have to be completed as part of the decision and transition phases.

5.4 Operation

With IT having been back sourced a year previously, the research offered an opportunity to look at how an organisation had adapted after bringing the whole of IT back in-house. Again, three themes seemed to emerge from the interviews: resource issues, the business relationship with IT and the future direction of IT within the organisation. Each is covered in turn.

5.4.1 Resource Issues

It was acknowledged by all interviewees that there were resources issues after the transfer was completed, but it was not seen as a major issue by most, as there was no impact on the service to the business. Staff attrition in the first year after the backourcing was 5%, less than the other departments within the Head Office of ClientCo (INT5).

However, the lack of management experience in specific areas was seen as an issue post-transition, along with gaps in technical knowledge in key areas (INT3). Although attempts were made to mitigate this as a risk during Transition, a large recruitment campaign was needed to correct the shortfall after the handover from VendorCo (INT5). Interim appointments were made to bridge the backourcing process (INT1) and a number of VendorCo professionals were retained for a fixed period to bridge the period between transition and operation (INT1, INT3). It was also recognized that there were skills shortages in some areas (INT1). Staff had left during the transition period and were not replaced by VendorCo. This was seen as opportunistic behaviour on behalf of VendorCo, carried out to maximise revenue, as the agreement was for a fixed price for support services and the subsequent savings on labour costs

"...went straight to VendorCo's bottom line." (INT2)

This opportunistic behaviour by VendorCo should have been identified during transition (INT1) but should not have been allowed to happen by VendorCo (INT1).

It was also recognised that VendorCo provided the development resourcing from secondees within its organisation (INT5), a process that ClientCo could not replicate. ClientCo therefore engaged VendorCo under a three-year agreement for development work at an agreed rate (INT2). An agreement was also reached with the ClientCo business community to downscale activity during and post transition, with activity back up to the required levels within the first year (INT1, INT2). It was also seen that the lack of resource and a lower budget meant that requests from the business had to be the subject of strict evaluation and control (INT1). A

process was created where business units bid for IT resource based on the business benefit. The IT Board, consisting of senior management from IT and the business who, in the words on one of the interviewees,

"...sit in judgement over where we should spend the money." (INT2)

The framework set up by ClientCo was broadly comparable with that proposed by King and Malhotra (2000) to create an internal market for IT resources. One of the propositions put forward by King and Malhotra (2000) was

"Organizations using the internal markets approach can better develop their core competencies than organizations that use outsourcing". (p331)

As discussed earlier, one of the reasons given for back sourcing was that greater control of IT was required for the business recovery programme initiated by ClientCo (INT1), an illustration of the desire to develop core competencies.

5.4.2 The Business Relationship with IT

The issue stated by a number of interviewees was that the back sourcing process brought together an IT organisation that was part of a larger IT oriented organisation, with a business that, although the IT was specifically for it, was in a very different business sector. As stated by an interviewee (INT6), the business saw IT as a 'black box', the same could be said for the IT view of the business. As a result, it would seem that, in organisational terms, back sourcing goes beyond just 'bringing IT back in'; it could be perceived that the back sourcing process is reminiscent of a merger or acquisition. This aspect of the back sourcing process is something that could be the subject of further research.

Looking at responses from the interviewees, the perception is that the newly integrated IT Division is still seen as separate, comments made included,

"I think we've always been seen as a cost, a necessary evil by the organisation. I don't see a great deal of evidence that it's seen as anything different." (INT5)

and

"It's important to see IT as part of the business and not separate from it. We are part of the business. The culture change for IT to be seen this way hasn't quite happened yet." (INT1)

and

"What I witness now is that because the client-customer relationship has disappeared, you know, people here have a completely different expectation of how the IT Division

will function. And it isn't around the function of service levels and so on. It's around 'that means that if I shout, you jump'." (INT2)

It is this last comment that illustrates a change in power between IT and the business. The change in the relationship dynamics between IT and the business was also acknowledged by all the interviewees. Under the outsourcing agreement, the business had a good day-to-day relationship with VendorCo. One interviewee commented

"The relationship between the business and VendorCo was pretty good, because they felt they were dealing with a lot of IT professionals and they had all this money put aside and they could basically have what they wanted." (INT2)

It is this change in relationship dynamic that set the agenda for the IT/business relationship moving forward. The perception was that IT was blamed for failures that VendorCo would not have been held accountable for (INT1) and that there was increased pressure on IT performance delivery during key business periods,

"You are only as good as your last failure." (INT1)

And

"The business likes to forget IT exists... it should just work." (INT1)

Is this any different from the pressure that would have been applied to VendorCo by ClientCo before back sourcing? The suspicion is that it is not.

Finally, the consensus was that it would take another year, two years from when back sourcing was complete, before IT was seen as truly being part of the business as a whole.

5.4.3 The Future Direction of IT.

Once IT had moved into the Operation stage there appeared to be more of a challenge from IT when requirements came through from the business

"It's quite interesting in that you've got this sort of, I would call it, help intention that we are much more challenging now about whether or not we should or shouldn't do that." (INT1)

In response to the shortage of resource for development projects, senior management elected to what could be perceived as a selective sourcing approach, choosing vendors for smaller IT projects and using VendorCo for larger projects

(INT1). The budget for IT new development was also reduced to reflect the higher costs and overhead that no longer had to be paid to VendorCo (INT4). This challenge on IT spend led to tensions between IT and the business that needed resolution at Board of Directors level. It was perceived that it was middle management within the business that were the issue because

"We took away their train set." (INT4)

The consensus was that VendorCo agreed to any requests for new systems or changes to existing ones; it was extra revenue (INT1). Governance structures had to be created within ClientCo, including an IT Board with IT and business senior management sitting in judgement over requests for IT projects to be completed (INT1, INT2).

5.5 General

The final part of the interview process was designed to be reflective in nature, asking the participants to judge the success of the backsourcing project and look at how things could have been improved.

5.5.1 Communication, Problems & Doing Things Differently

A number of general comments were made by the interviewees that seem to resonate within the process. When reflecting on the backsourcing process as a whole the one issue that cropped repeatedly revolved around the collapse of the relationship with VendorCo and the subsequent consequences. One of the interviewees commented

"That was typical of what we suffered from, a lot of miscommunication. It was like being in a war scenario and we had not anticipated a war scenario." (INT2)

This view seems to coincide with those voiced by a majority of the interviewees. Communication was seen as a major issue, with both VendorCo and the staff transitioning to ClientCo because of the stance taken by VendorCo. With VendorCo, communication was difficult in what was seen as a 'war scenario' (INT1). One positive was seen as the Employee Consultation Forum set up just over a month after the decision was announced (INT3). A weekly briefing was also issued to all staff, but the contents had to be vetted by VendorCo (INT1). Although it was perceived that the communication restrictions eased over time (INT1), it was

accepted that the communications allowed should have been agreed and signed off at the start of the transition process (INT3).

It was seen that ClientCo needed a better understanding of the technical aspects of the IT service being transferred through technical interviews (INT1). The consultancy engaged to advise on and aid the transition carried these out, but it was seen that they were not as informative as they should have been (INT3). These had been carried out by the consultancy engaged by ClientCo to advise on the backourcing process and the view was that these interviews had not been as comprehensive as they should have been (INT3, INT5). In fact, it was suggested that this consultancy was more of a hindrance, and would not have been used given hindsight (INT2). There also needed to be more analysis of the systems being transitioned (INT1).

Overall, the backourcing model was seen as simple, it was behaviours that made it difficult (INT1).

5.5.2 Judging the Success of the Backsourcing Process

The consensus of the interviewees was the backourcing process went well overall

“Generally it went to plan in terms of what we looked to do and where we got to. Actually, if you’ve got the people, got the commercials and you can run the service, you’ve got everything you really need.” (INT1)

Although the transition was successful, the general view that it could have been better. When asked to grade the transition out of ten, the average was between seven and eight. The deadline for the handover was achieved and any system issues were resolved as efficiently as would have been the case under VendorCo. Although 462 personnel out of 495 transferred back to ClientCo, the majority of those lost represented senior management and the most experienced technical staff.

The main reason given for a lower score from some was the lack of staff engagement in the early stages of transition. The effects on staff morale were mitigated a little by the formation of the Employee Consultative Forum, but the breakdown in the relationship between VendorCo and ClientCo during transition

hindered efforts by ClientCo to engage with staff directly, VendorCo insisted on a senior management representative being present whenever ClientCo engaged with VendorCo staff.

5.5.3 Final Impressions

Backsourcing IT after a length of time with an outsourcing vendor requires a change in mind-set

"It's like moving from using a taxi to driving your own car." (INT5)

It also requires the co-operation and assistance of the outsourcing vendor to complete the process. It seems that ClientCo completed the backsourcing process in spite of the actions taken by VendorCo, who even tried to delay the fixed transition date on the grounds that ClientCo were 'not ready' (INT2).

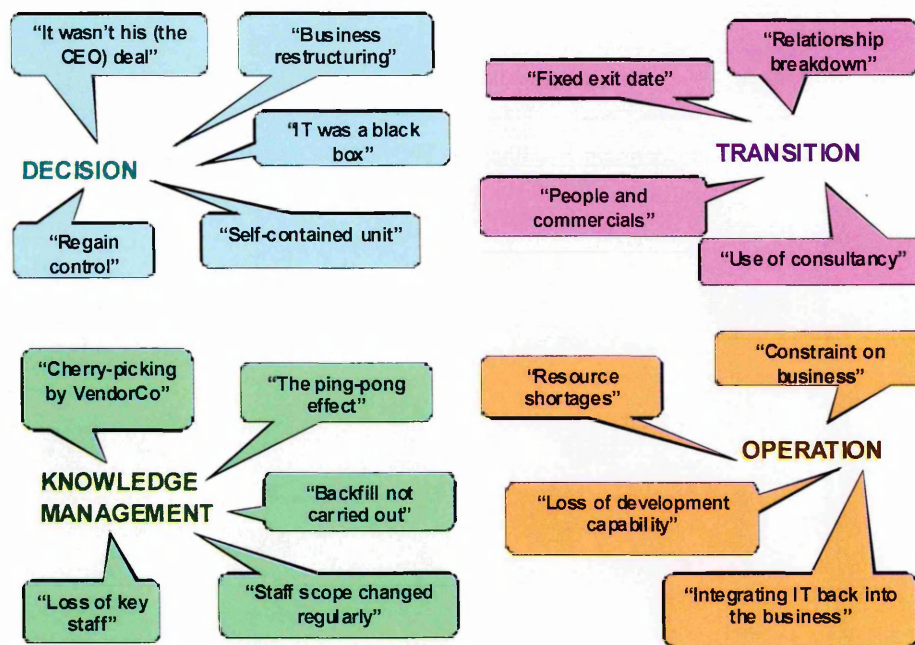


Figure 5.1 Snapshot of Interviewee Comments

McLaughlin & Peppard (2006) stated that

"While cost savings are clearly part of the decision, it appears that the main reasons for backsourcing in this sample have more to do with a desire to regain control and flexibility, a new recognition of the role of information systems, or strategy change following a change of management." (McLaughlin & Peppard 2006, p11)

It was clear from the case study that the back sourcing decision was driven by the CEO who had no tie-in because the agreement had been made by the previous CEO. It was also apparent that the reasons for back sourcing, such as cost reduction and regaining control, were a result of the new business strategy. Figure 5.1 provides a snapshot of the summary of some of the key comments made by interviewees that seems to encapsulate the whole process.

Lacity et al (1996), when looking at a number of instances of total outsourcing, noted that only two out of fourteen were happy with the agreement, for the rest,

“After the initial honeymoon, these companies complained of a loss of alignment between business strategy and IT, failed promises to access new technologies, and contractual costs that are significantly greater than current market prices.” (p15)

For VendorCo it seems that the honeymoon lasted until the new CEO was appointed and initiated a review.

5.6 Research Questions - A Review

At this stage of the research, it was difficult to reach concrete conclusions on the research questions proposed earlier in Chapter 4. However, a number of indicative proposals can be made.

Research Question 1

Is the decision stage more risky for outsourcing than back sourcing?

From the case study, it would seem the results make the judgement on this research question inconclusive. The decision to back source appears to have been driven by the CEO, politics and business strategy, and a ‘feeling’ that the outsourcing agreement did not provide ‘value for money’. It would appear, at face value, that the decision no more risky for outsourcing or back sourcing. It is the implications of the decision that are more significant when back sourcing, given the people and knowledge management issues identified within the case study.

Research Question 2

Is the transition stage, in terms of ‘mechanics’, more problematic for back sourcing than outsourcing?

It is apparent from the research that the 'mechanics' of the back sourcing process were challenging for ClientCo. Adjustments in personnel had to be made in order to change focus from monitoring an outsourcing agreement to managing an IT Division. Specialist staff had to be engaged to deal with the movement of third party contracts from VendorCo to ClientCo, and a consultancy used to guide ClientCo through the process. In all these cases, an outsourcing supplier would have their own staff to carry out this work.

Research Question 3

Are knowledge management and the retention of key personnel more important in the back sourcing transition process than in outsourcing?

This would appear to be the one research question seen as correct from the case study, specifically for ClientCo. When outsourcing, for example, it is in the best interests of the outsourcing organisation to pass as many staff to the vendor as are required in order to maintain continuity of the service. However, the motivation for outsourcing in the first instance is often to "*...leverage the supplier's superior technical know-how*", so the importance of staff being transferred to the vendor is diminished to an extent (Gottschalk 2006).

From the perspective of ClientCo, starting from a very low base of technical know-how, the number and calibre of staff transferred from VendorCo with the required levels of explicit and implicit knowledge and technical expertise became vital to the success of the back sourcing process and their ability to maintain continuity of IT service to the business.

Research Question 4

Is the Operation stage for outsourcing and back sourcing different?

It is difficult to judge this research question on the strength of the case study research. For both back sourcing and outsourcing, it would appear that the first priority post-transition is to maintain the stability of the IT service. For outsourcing, the requirements of the agreement are laid out in the contract and

enforced via SLAs. For back sourcing, the objectives and priorities are not so clear. Further research in this area, perhaps in the form of a study of a back sourcing over a longer period of time, is indicated.

McLaughlin & Peppard (2006) commented on the options available when reviewing an outsourcing decision. From the case study, it would appear that ClientCo looked at renegotiating the existing agreement and, fleetingly, at switching vendors before both options were discarded in favour of back sourcing. This would seem to confirm the options available as proposed by McLaughlin & Peppard (2006).

5.7 Summary

This case study seems to be a specific instance where back sourcing could almost be predicted, given the desire for strategic change and the predilection of the CEO and IT Director towards bringing IT back in-house. Szmigin (1993) proposed the Experience Cycle, where the vendor can make the mistake of believing that the benefits offered to their client on day one have an equal benefit on day one hundred. One of the interviewees stated that VendorCo believed that only they could provide ClientCo's IT. It seems that VendorCo did not react to ClientCo's change in business strategy and suffered the consequences. For ClientCo, it was the lack of flexibility within the provision of IT while going through major strategic change that contributed to the decision to back source.

The question, at this point was, were the circumstances unique? To explore this further, a survey of UK organisations was carried out. This is detailed in the next chapter.

6 The Survey

This Chapter presents the analysis and results of the survey distributed to 794 UK organisations and evaluate the findings in light of the research hypotheses proposed in Chapter 2.

6.1 Survey Objectives

The survey was designed to look at the gaps in research identified in the earlier stages of the research process. The literature review highlighted a number of high profile instances of backsourcing, but the reasons for the decisions taken were only those that entered the public domain (McLaughlin & Peppard 2006, Veltri et al 2008). Whitten & Leidner (2006) stated, as part of their conclusion, that

“... little empirical research exists that helps elucidate and understand the backsourcing decision.” (p617)

It is this lack of understanding of the backsourcing decision, and the prevalence of backsourcing activity, that formed the main drivers for the survey stage of the research. Having reviewed current literature and carried out the case study, it was clear that research was required to gain some clarity in a number of areas.

Evidence from the Case Study seemed to confirm that the service relationship between the client and the vendor could be seen as one of the key aspects of a successful outsourcing relationship. This has been identified from the literature review in Chapter 3 and in the case study. The breakdown of the relationship and perception that the agreement was not ‘in the best interests’ of ClientCo contributed to the termination of the outsourcing agreement. As a result, the aim of the survey was to gain an insight into IT sourcing activity within the United Kingdom in a number of areas, and sheds light on why those organisations may have taken specific IT sourcing decisions. The survey represents a ‘snapshot’ of IT sourcing activity in November/ December 2009, this being the period in which responses were made.

6.1.1 Reviewing the Survey Instrument

Referring back to the Survey Sections in Figure 4.4, the survey instrument was separated into five sections, covering demographic data, IT sourcing activity, the decision making process, the reasons for the decision and the service relationship.

Before looking at the survey findings in detail, it is important to clarify a couple of issues that became apparent once the data collection phase had been completed. Having made the decision to use the Computing mi database as a source, the weaknesses in the extracted data needed to be addressed. The selection of the data, downloaded into an Excel spreadsheet, made apparent a specific problem in terms of the demographic data. Although all the entries in the extracted data file had a value for the turnover of the organisation, the number of total staff and the number of IT staff, 49.5% had stated their IT spend as 'Confidential' or 'Not Specified'. It was therefore desirable to collect data on IT spend to be able to get an idea of the value of any changes to sourcing activity. The other three areas were also subject to questions on the survey so that the accuracy of the Computing mi data did not have to be relied upon.

It was also clear that the data collected had to be examined to ensure the appropriate data analysis techniques were being employed. In Chapter 4, the concept of parametric or non-parametric data for data analysis was discussed specifically in the light of rating scale data. Field (2005) stated that parametric data analysis is generally considered appropriate when the data fulfils four assumptions; normally distributed data, homogeneity of variance, interval data and independence. Each of these will be tested in turn for the responses to the SERVDYN instrument.

Looking first at whether the data exhibits normal distribution, the skewness value should be zero or nearly zero. As Table 6.1 illustrates, the skewness value for each of the SERVDYN variables ranges from a negative skew of -1.497 to a positive skew of 1.248. It is reasonable to assume that the data is not normally distributed.

Pallant (2007) stated that with reasonably large samples the skewness would not

make a substantive difference in the analysis. With 'reasonable large samples' defined as over 200, the number of responses to the survey (n=69) would seem to indicate that the level of skewness would have an unpredictable effect on a parametric analysis (Pallant 2007).

IT Provision	SERVDYN Variable	No. of values	Std. Deviation	Skewness
In-house IT	Potential Quality	17	1.20508	-1.497
	Hard Process Quality	17	1.1388	-1.65
	Soft Process Quality	17	1.3519	-1.843
	Outcome Quality	17	1.26503	-1.248
	Trust	17	0.87079	-0.945
Outsourced IT	Potential Quality	52	1.13664	-1.362
	Hard Process Quality	52	1.31389	-0.823
	Soft Process Quality	52	1.17954	-1.134
	Outcome Quality	52	1.14412	-0.48
	Trust	52	0.96638	-0.274
Switched Vendors	Potential Quality	28	0.9534	0.408
	Hard Process Quality	28	1.22366	0.002
	Soft Process Quality	28	1.1366	-0.095
	Outcome Quality	28	0.94826	-0.044
	Trust	28	0.99382	-0.23
Backsourced IT	Potential Quality	13	1.12944	1.248
	Hard Process Quality	13	1.63936	0.163
	Soft Process Quality	13	1.39853	0.271
	Outcome Quality	13	1.63221	0.306
	Trust	13	0.80712	0.292

Table 6.1 SERVDYN Variable Distribution

In summary, the size of the response dataset and the lack of normal distribution displayed by the data lead to the decision being taken to carry out non-parametric analysis for all of the survey data collected using rating scales.

6.1.1 Making Decisions on Data Analysis

With 44 variables from the survey instrument to review, it was important to provide some structure in terms of the types of variable and the method used to present the findings. Table 6.2 summarises the questions within the survey instrument, the data types and method of result presentation.

General Question	Variables	Data Type
Non-response bias – total population vs. response population	41_OrgEmp	Ordinal
Total responses by job title	2_JobTitle	Nominal
How many responses for each of the following – in-house, outsourced, switch vendors and backsourced	3_Outsourced? 18_SwitchVendors? 19_Backsourced? 29_Backsourced	Dichotomous
Reasons – in, out, switch & back – split by economic, social/organisational & strategic	4_Inreason1-7 5_InResOther1-3 10_OutReason1-11 11_OutReasonOther1-3 25_SwitchReason1-6 26_SwitchReasonOther1-3 37_BackReason1-8 38_BackReasonOther1-3	Ordinal
Degrees – degree of outsourcing, switch vendors & backsourcing - <20%, 20-80% & >80%	8_OutDegree 20_SwitchDegree 30_BackDegree	Nominal
SERVDYN – totals by in, out, switch & back for PQ, HQ, SQ, OQ & TR	In – 6/7 Out – 16/17 Switch – 27/28 Back – 39/40	Interval
What areas were most subject to out/switch/back – is there a bias for area to switch/back rather than stay?	9_Outarea1-8 9_OutAreaOther 23_SwitchArea1-8 23_SwitchAreaOther 33_BackArea1-8 33_BackAreaOther	Nominal
Of those that outsourced, who reviewed? What option was taken?	12_OutReview1-4	Nominal

General Question	Variables	Data Type
Who's idea/decision to review sourcing requirements	13_OutIdea1-6 13_OutIdeaOther 14_OutDecision1-6 14_OutDecision Other 21_SwitchIdea1-6 21_SwitchIdeaOther 22_SwitchDecision1-6 22_SwitchDecisionOther 31_BackIdea1-6 31_BackIdeaOther 32_BackDecision1-6 32_BackDecisionOther	Nominal
Exit strategy prevalence – of those with one (or not) who did switch/back. Does a lack of exit strategy contribute to decision?	15_ExitStrategy	Nominal
For switch/back, what alternatives were considered	24_SwitchAlternative1-3 24_SwitchAlternativeOther 34_BackAlternative1-3 34_BackAlternativeOther	Nominal
Risks of back sourcing – what were considered the biggest?	35_BackRisk1-7 36_BackRiskOther	Ordinal
Demographic Information	41_OrgEmp 42_OrgTurnover 43_ITEmp 44_ITTurnover	Ordinal

Table 6.2 Survey Data Variables

6.2 Survey Response Data

Of the 796 survey invites dispatched, 81 started the web-based survey with 12 exiting before completion. This left 69 usable responses, an overall response rate of 8.69%.

6.2.1 Response Bias

Testing for non-response bias was only possible with one of the original independent variables within the survey instrument. The original data sourcing from Computing mi contained information on the organisation's turnover and IT budget, along with the number of organisation and IT employees. However, there were entries in the original Computing mi data where the organisation's turnover

and IT budget were not specified or was recorded as classified. The number of IT employees was also not specified on a number of entries, although the number of organisational employees was the only field consistently completed. This was therefore used as the independent variable for looking at non-response bias.

Item	N	Minimum	Maximum	Mean	Std. Deviation
NON_RESP_Total_Staff	727	3	6	5.08	1.075
RESP_Total_Staff	69	3	6	5.01	1.007

Table 6.3 Non-Response Bias by Organisation Turnover

The figures above seem to indicate that there is no discernible difference between responses and non-responses as the means and standard deviations are very close. As a result, there does not appear to be any non-response bias in terms of responses based on the number of employees within the organisations.

6.3 Dealing with Demographics

Looking at the demographic information provided by respondents seemed to illustrate a number of anomalies. It seemed the survey responses did not tally with the selection criteria used for the purposive sample selected from the Computing mi database. The selection criteria were for organisations whose turnover was in excess of £100 million. As illustrated by Figure 6.1, just under 19% (n=13) of the responses were from organisation with a turnover less than this figure.

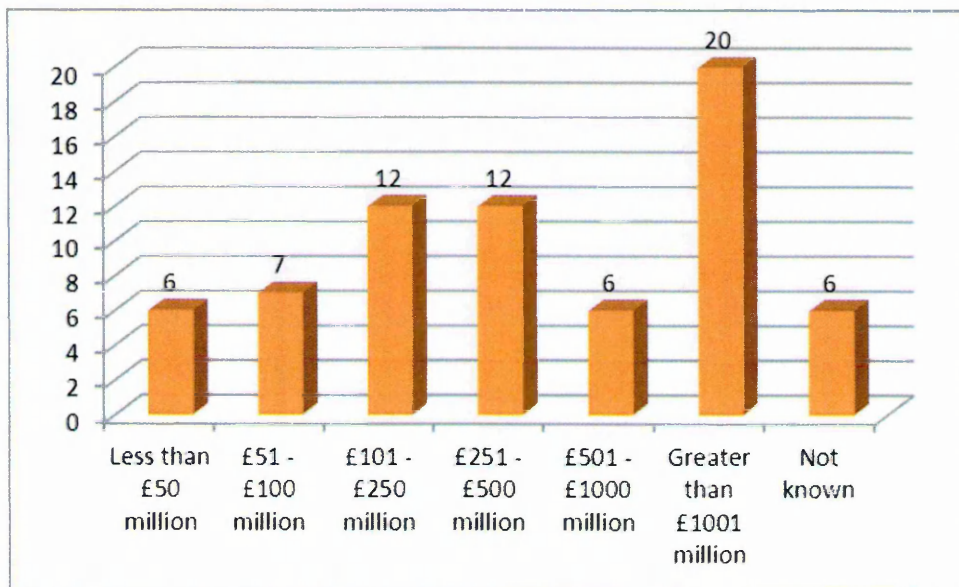


Figure 6.1 Responses by Organisation Turnover

More disconcerting was the effect that may have had on the size of IT budgets.

Kang & Bradley (2002) maintained that IT budgets were found to be around 2.2% of an organisation's annual revenue. Figure 6.2 shows that just over half of the responses (n=37) came from organisations where the IT budget was less than £10 million. This seems to be in proportion with the number of IT employees within the organisation, with over half of the organisations having less than a hundred IT employees.

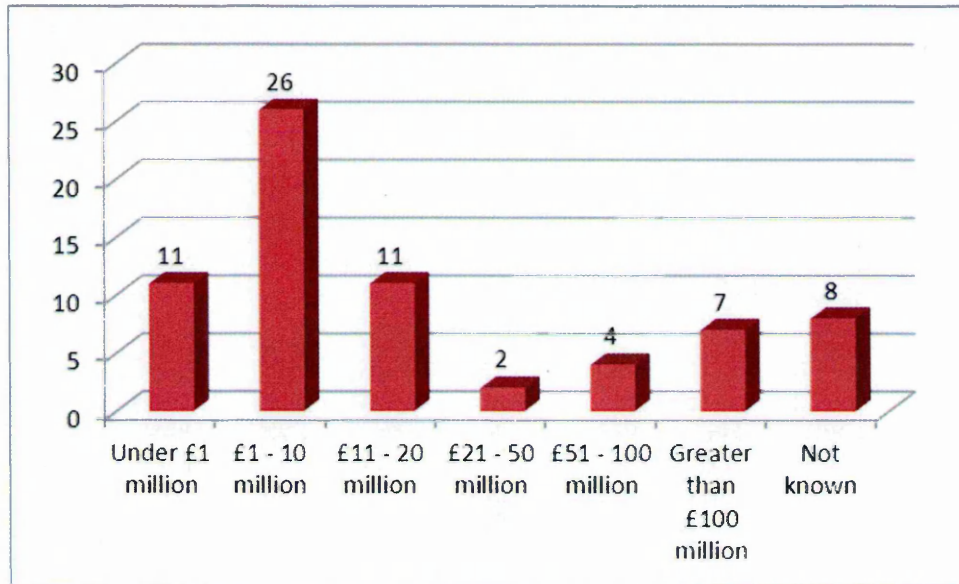


Figure 6.2 Responses by IT Budget

As previously stated in Chapter 4, Kang & Bradley (2002) found that an organisation tended to spend around 2.2% of their organisational turnover on IT. With 37% (n=26) of respondents having an organisational turnover greater than £500m, this would equate to an IT budget in excess of £11m per annum. From the responses, 35% (n=24) declared an IT budget of equal to, or greater than, £11m. With 6% (n=4) stating that they did not know the Organisational or IT turnover it would seem reasonable to suppose that the Kang & Bradley (2002) findings on IT budget as a proportion of overall organisational turnover applied to the responses to this survey.

The discrepancies with the data originally provided by Computing mi given the organisation profile targeted and the responses received shows a mismatch that has to be considered when looking at the findings. There could be two possible explanations; the Computing mi data is either not as accurate as was first believed or respondents did not accurately state the demographic data requested as part of

the survey.

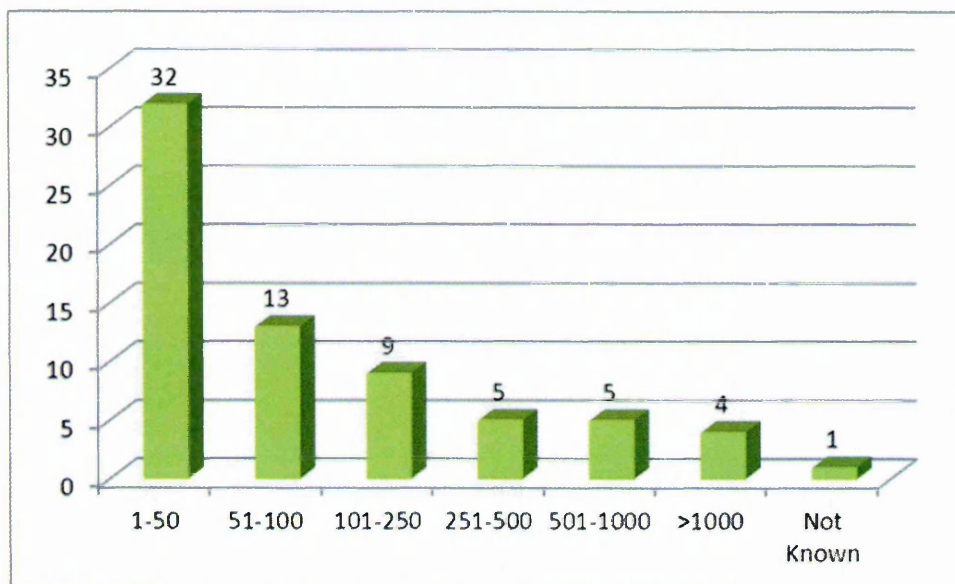


Figure 6.3 Responses by number of IT Employees

Of the total respondents, over 60% ($n=43$) were from IT Directors or Heads of IT, with a further 16% ($n=11$) of responses from IT Senior Managers. This would seem to indicate that the targeted nature of the survey invite was successful. However, the targeting may also have contributed to the low response rate. Previous surveys targeted at senior managers within an organisation have found that response rates were significantly lower for this sample population than for other individuals lower in the organisation, such as managers, professionals or employees (Baruch 1999).

6.4 IT Sourcing Activity

Having reviewed the demographic data, the next area of the survey to analyse was the IT outsourcing activity, looking specifically at the different IT sourcing strategies being used UK organisations, the degree of the IT budget subject to this activity and the functions and systems in scope.

6.4.1 IT Sourcing Strategies

Looking at IT sourcing activities, the first area to be reviewed was that of the current IT sourcing strategy. Respondents were asked if their organisation had outsourced some or all of their IT in the last five years and if they had, whether any of it had been the subject to a switch of vendors or was brought back in-house.

Table 6.4 represents a summary of the sourcing decisions taken by the respondents' organisation and, as such, the areas of the survey completed by respondents. The percentage is of the total respondents, i.e. 40.6% (n=28 of 69) completed the section pertaining to a switch of vendors.

Sourcing Decision	Total	Percentage of total respondents (n=69)
In-house (no outsourcing)	17	24.6
Outsourced	52	75.4
Switched Vendors	28	40.6
Backsourced	13	18.8

Table 6.4 IT Sourcing Strategy

It is interesting to note that of those that outsourced, over half switched vendors at some point, either terminating early or switching vendors at the end of the agreement. Whitten & Leidner (2006), when looking at Application Development outsourcing, found that around 22% of respondents chose to switch vendors and nearly 34% backsourced. One question that should have been asked in hindsight was whether the decision to switch or backsource occurred before the end of the outsourcing agreement.

The breakdown of the degree of outsourcing practiced by the respondent's organisations seemed to indicate that the degree of outsourcing activity was not significantly high. Of those that had outsourced some or all of their IT, half stated that the amount of outsourcing was less than 20% (n=26) of the IT budget and only three of the respondents stated that their organisation had totally outsourced (i.e. more than 80% of their IT budget).

Lacity & Willcocks (1998) define less than 20% of the IT budget as being little or no outsourcing. However, with half (n=26) of the respondents that outsourced stating that it was less than 20% of the overall IT budget, what needs to be taken into account here is the perception of outsourcing – the fact that it is occurring and not necessarily the value of the outsourced IT. However, with 72% (n=52) of the respondents stating an IT spend in excess of £1 million per annum, even 10% of spending represents a significant amount of outsourcing. It would also seem that

outsourcing is 'in the eye of the beholder'. The respondents that completed this part of the survey had already confirmed that they had an outsourcing contract in the last five years.

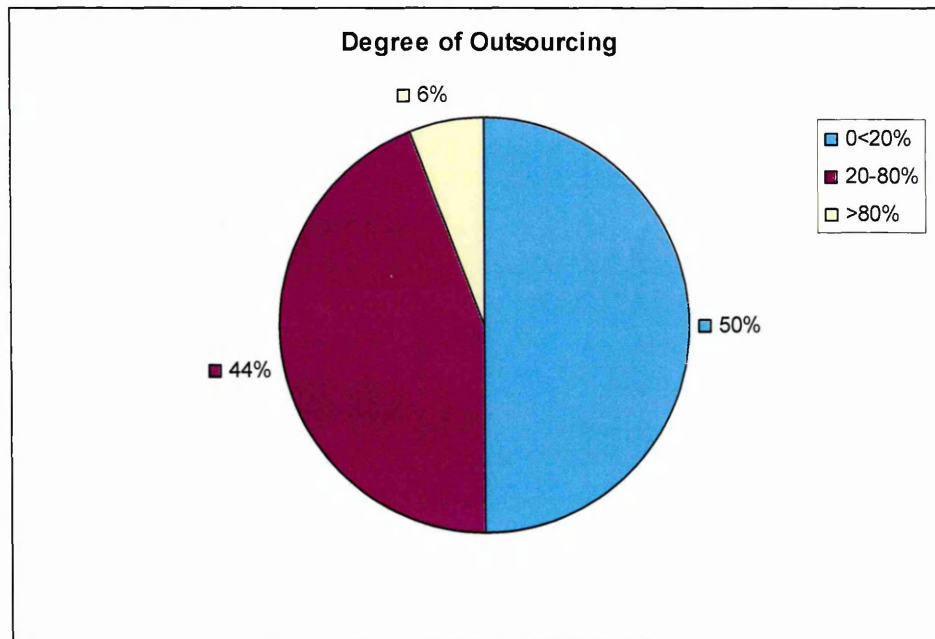


Figure 6.4 Degrees of Outsourcing

In addition, of the three respondents that stated over 80% of their IT had been outsourced, one had stayed with their current vendor, the other two had switched some of their outsourced IT to another vendor.

What became clear from the above analysis is that the categories of no, selective and total outsourcing was not sufficiently granular to judge accurately the degree of outsourcing within organizations. A clarification of what was meant by outsourcing on the survey instrument may also have aided respondents.

6.4.2 IT Functions and Sourcing

Moving on to the areas or functions subject to outsourcing, the Telecommunications/LAN function was the most popular to outsource, followed by support operations (i.e. equipment maintenance and service). Is this an indication that these areas were treated as a 'commodity' that could best be provided by a number of different third parties? The least popular area was that of IT Help Desk (14.5%). This is in contrast with a similar study by Lacity & Willcocks (2000) who found that 32% of UK respondents had outsourced part or all of their

IT Help Desk. What might account for the difference? It is difficult to draw any conclusions without further research.

When categorising the functions outsourced as either infrastructure or systems, along the lines of discussion in Chapter 2, it would seem that infrastructure is most likely to be outsourced, simply because Applications Development was the only area that could be classified as transformational/competitive in the IT Strategic Diamond (Figure 2.4).

IT Function (<i>Strategic Diamond Classification</i>)	No. of Responses			
	Outsourced Total	Stayed with Vendor/s (as a % of total)	Switched Vendor/s (as a % of total)	Backsourced (as a % of total)
Applications Development (<i>Transformational/Competitive</i>)	22	11 (50%)	9 (41%)	2 (9%)
Application Support & Maintenance (<i>Qualifying/Competitive</i>)	21	10 (48%)	7 (33%)	4 (19%)
Data Centre Operations & Support (<i>Qualifying</i>)	17	8 (47%)	9 (53%)	0
Desktop Support (PC support & software maintenance) (<i>Underpinning</i>)	11	4 (36%)	4 (36%)	3 (28%)
IT Help Desk (<i>Underpinning</i>)	10	4 (40%)	4 (40%)	2 (20%)
Support operations (equipment maintenance/service) (<i>Underpinning</i>)	27	19 (71%)	6 (22%)	2 (7%)
Systems Support & Maintenance (<i>Qualifying</i>)	15	8 (53%)	6 (40%)	1 (7%)
Telecommunications/LAN (<i>Qualifying</i>)	36	19 (53%)	16 (44%)	1 (3%)
TOTALS	159	79.02 (52%)	57.91 (38%)	8.35 (10%)

Table 6.5 IT Areas Subject to Sourcing Activity

Although Applications Development was not one of the most popular areas to outsource, it was interesting that only two of the respondent organisations backsourced Applications Development, although one of them had switched vendors before backsourcing. It would have been interesting to ask whether each of these areas was considered as a commodity or as strategic by the organisation, but a move to bring the area back into the organisation's control may be an indication of a shift in perception of the area's importance similar to that of

Finally, it seemed that selective sourcing was the order of the day. Only two of the respondents had outsourced all eight functions listed in the survey, although nine respondents stated that six or more of the functions had been outsourced. Twenty-six (37%) of the respondents had outsourced less than two functions and the Telecommunications/LAN function was included in over half of these (54%). It would seem to be reasonable to categorise Telecommunications/LAN as a utility and therefore a commodity.

6.5 Decision Making Process

Once the IT sourcing strategy had been reviewed, the next area under scrutiny was that of the decision making process, including the review process, the decision makers and the inclusion (or otherwise) of contract exit strategies.

6.5.1 Reviewing Sourcing Decisions

For those that kept their IT in-house, questions were only asked about why they did so. These are covered in the next section. Looking at those that outsourced, respondents were asked if they had reviewed, renegotiated or renewed their outsourcing arrangements. All respondents stated they had reviewed their outsourcing contracts in the last 5 years, seeming to confirm that outsourcing agreements were being monitored and reviewed. In hindsight, a follow-up question missing was how often the reviews took place.

A quarter of the respondents stated that they had carried out a review (Figure 6.5) but made no changes, while half confirmed that they had re-negotiated the agreement during the term of the contract. McLaughlin & Peppard (2006) put the figure for re-negotiation during the lifespan of a contract at over 80%. Why the apparent difference? This is difficult to assert. McLaughlin & Peppard (2006) did not state the source of their figures, so no direct comparison can be made with the findings of this research.

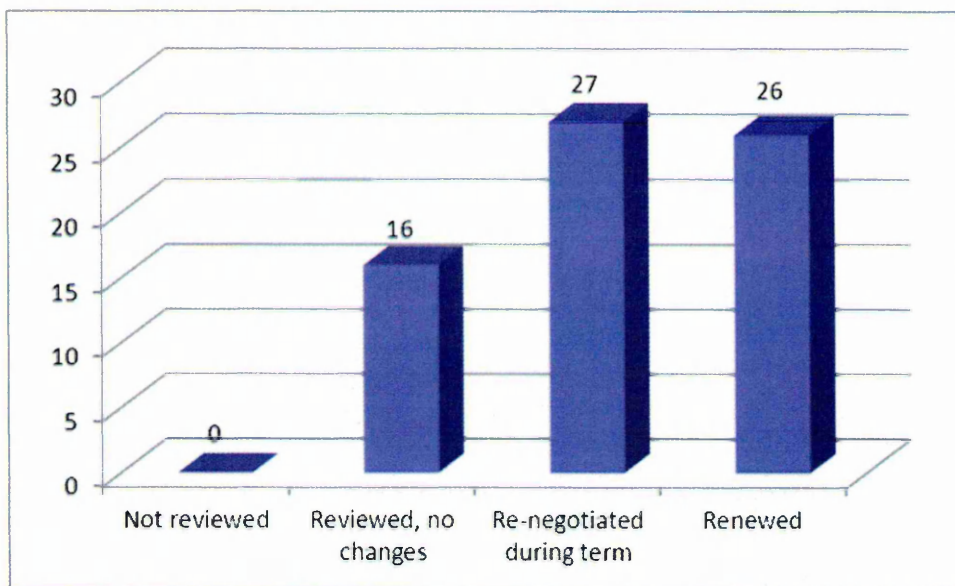


Figure 6.5 Outsourcing Review

Looking at the breakdown of the subsequent decisions made by organisations that had outsourced some or all of their IT in the last five years, makes for interesting reading. In terms of those that outsourced, Table 6.6 shows the actions taken subsequent to the outsourcing agreement, either as part of a review process or at the end of the outsourcing agreement.

This illustrates the apparently dynamic nature of IT sourcing decisions (Lacity & Willcocks 2000); only just over a third (36.5%) stayed with their original outsourcing vendor and nearly a sixth (15.4%) of organisations that switched vendors subsequently backsourced.

Review Decision	Total (n=52) (of those that outsourced)	Percentage (of those that outsourced)
Stayed with Original Vendor	19	36.5
Switch Vendors	20	38.5
Switched Vendors & Backsourced	8	15.4
Backsourced	5	9.6

Table 6.6 Outsourcing Review Decision

With a quarter of organisations eventually bringing back in-house a previously outsourced IT area, it would seem that backsourcing is more prevalent than other sources (Dreyfuss & Scardino 2006) would have you believe. Again, finding out if

the action taken was during an agreement, or at the end of it, would have been insightful.

6.5.2 The Decision Makers

So, the decisions were made, but by who? Respondents were asked to state whom they thought had the initial idea to explore outsourcing and who made the final decision. Looking at the responses in terms of who, within the organisation, had the idea to explore the possibility of outsourcing, the Head of IT was involved in 75% (n=40) of the responses, and for 57% (n=30) was solely responsible. The Head of IT being solely responsible, in the view of the respondent, is not to say that the 'steer' did not come from higher up in the organisation. However, nine of those responses did actually come from the Head of IT! Interestingly, in 30% (n=16) of the responses it was articulated that the suggestion to look at outsourcing came from Board level, is this indicative of a more strategic outlook to outsourcing?

Of all of the responses whose organisation made the decision to outsource, the Head of IT was involved in all but 19% (n=10) of the responses. In these cases, the decision was made at Board level. However, in over half of the decisions to outsource (53%, n=30), the Head of IT was the sole arbiter. This seems to agree with a study by Apte et al (1997), who concluded that

"Contrary to the commonly held belief that CEOs initiate and drive outsourcing decisions, IS executives are observed to play a dominant role as initiators and decision makers." (p298)

This trend was believed to be driven, in part, by the move from total outsourcing to selective outsourcing (Apte et al 1997). A factor here may have been the monetary value of the agreement; a selective sourcing agreement may have been in the financial discretion of the CIO or Head of IT.

For switching vendors, the idea again predominantly came from the Head of IT, with 69% (n=19) making the suggestion and 75% (n=22) making it along with others. In contrast to the idea to outsource, the idea to switch vendors seemed to come from lower down the organisation. Only one of the respondents stated that the CEO had the idea to switch vendors, with none being made by the Board of

Directors, but 25% (n=7) came from IT Middle Management. IT Middle Management only represented only 6% (n=3) for the outsourcing idea. The decision to switch vendors was actually taken, for three of the respondents, by IT Middle Management only. This contrasts sharply with the decision to outsource where this was not the case for any responses. This seems to indicate that although IT Middle Management was involved in the decision to switch vendors or backsource, they had no involvement in the original outsourcing decision. Could this be because the original outsourcing decision was perceived as strategic & therefore made at a higher level within the organisation? Alternatively, is this again down to the value of the outsourcing agreement being within the manager's discretion?

Finally, for back sourcing, the Head of IT seemed to be heavily involved proposing the idea and making the decision (n=11 of 13 or 85%), although there was slightly more involvement at a CEO/Board level (n=3 of 13 or 23%) for both the idea and the decision.

Some interesting observations can be made as a result of these findings. Firstly, what cannot be determined is whether the decision was seen by the organisation as 'strategic' or 'commodity'. Secondly, did the Head of IT suggest outsourcing because of a business directive to cut costs? Finally, although the Head of IT was predominantly involved in all of the ideas and decisions to outsource, switch vendors and backsource, the CEO and Board of Directors were more involved in the original outsourcing idea and decision than in switching vendors or back sourcing. This finding seemed to run contrary to the Case Study, where the CEO drove the decision process.

Having illustrated that the majority of organisations exit their existing outsourcing agreement at some stage, the issue of an exit strategy being built into the outsourcing contract becomes more important (Barthélemy 2003, Juras 2007, Gottschalk & Solli-Sæther 2005). The importance of a clear and comprehensive exit strategy was illustrated in the Case Study, the reason why the question on exit strategy was included in the survey.

6.5.3 Outsourcing Exit Strategies

Respondents were asked if they had an exit strategy and whether it was reviewed at regular intervals. Of those that outsourced, 77% (n=40) had an exit strategy and nearly 60% (n=31) reviewed the exit strategy at regular intervals. A number of respondents (n=6 or 11.5%) did not know if an exit strategy existed in the outsourcing agreement, but more disturbingly 11.5% (n=6) stated that an exit strategy did not exist. Juras (2007) states that the purpose of the exit strategy is

“...to help ensure the relationship will end with minimal damage to the company.”
(p44)

It would seem that those organisations that do not have an exit strategy are exposing their organisation to unnecessary risk. Gottschalk & Solli-Sæther (2005) seemed to indicate there was another advantage for an exit strategy,

“When contracts expire there is a need to have an exit strategy focusing not only on the economic success of the IT outsourcing, but also to question issues such as core competence management, access to resources, and the maturity of the relationship.”
(p700)

Such an exit strategy would provide a good basis for progression and may well set the tone for the decision phase. If outsourcing with a particular vendor was viewed positively, it may increase the likelihood of the client renewing with the incumbent vendor (Whitten & Leidner 2006).

6.6 Reasons for IT Sourcing Decisions

The next section of the survey looked at the reasons for making a particular sourcing decision, with the reasons compiled as part of the literature review, along with the final part of this section covering the backsourcing risks.

6.6.1 Looking at the Reasons for Sourcing Decisions

Respondents were presented with a number of possible reasons for their sourcing decisions, and asked to rate their importance on a 5-point rating scale. These reasons were adjudged to be the most appropriate for the area under investigation, be it in-house, outsourcing, switching vendors or backsourcing. The three top reasons for each sourcing decision were based on the number of replies that responded with the reason being important or very important.

The reasons for staying in-house were compiled via the literature review, primarily from the risks associated with outsourcing (Kremic et al 2006) and the rationale identified by Currie & Willcocks for maintaining IT as an in-house service. These are detailed in Table 2.6 with the full results in Appendix 8.

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
High level of in-house technical expertise	0	1	1	7	8
Synergy between business and IT	1	0	3	4	9
In-house IT seen as cost efficient	1	0	4	5	7

Table 6.7 Top reasons for staying In-house

What were seen as the most important reasons for keeping IT in-house were '*high level of in-house technical expertise*' and the '*synergy between business and IT*', the least important was '*in-house IT seen as cost efficient*'. The key messages here appear to be that IT was seen as an important part of the business with the expertise required to fulfil business requirements. Another reason for keeping IT in-house also emerged from the survey, that of agility. Here, a number of respondents commented that maintaining IT in-house allowed for a quicker reaction to a change in business conditions. Two of the three factors appear to be strategic in nature, leaning more towards the transformation/competitive IT functions within the Strategic Diamond (Figure 2.4).

Moving on to the reasons for outsourcing, eleven statements were given and the respondents were asked to rate the importance of each statement in the decision to outsource. These statements were adapted from literature (Earl 1991, Benko 1993, Lonsdale & Cox 2000, Kremic et al 2006) and were grouped as six strategic and five as operational efficiencies using Porter (1996). These are detailed in Table 2.5.

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Access to skills/expertise	2	2	5	19	24
Focus on core capabilities	4	1	6	28	13
Cost reduction	3	0	13	23	13

Table 6.8 Top reasons for outsourcing

The main reasons for outsourcing some or all of an organisation's IT do not come as a surprise; '*access to skills/expertise*', '*focus or core capabilities*' and '*cost reduction*'.

The first two were 'strategic', the last 'operational efficiency' using Porter (1996). The surprise appears to be that cost reduction was not rated the most important reason and, as a result, implies that the 'strategic' element was more important. This differs slightly from the survey carried out by Fan (2000), where cost reduction was the clear favourite, with focusing on core competencies the second most popular.

For switching vendors, respondents were asked to rate the importance of six statements when taking the decision. These statements were adapted from the risks associated with outsourcing identified in literature (Kremic et al 2006, Quelin & Duhamel 2003, Antonucci et al 1998) and were grouped as three as strategic and three as operational efficiencies using Porter (1996). These are detailed in Table 2.11.

It appeared that '*changes within the organisation/acquisition or merger*' was the most important reason to switch, closely followed by '*contractual issues with the vendor*'. The former seems to illustrate one of the issues with outsourcing previously identified in Chapter 2. Shepherd (1999) advocated that long outsourcing contracts could lack the flexibility required to adapt to changing business conditions. Even with the possibility of high switching costs (Whitten & Leidner 2006), some respondents' organisations still chose to switch vendors.

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Changes within organisation (merger or acquisition)	7	3	4	12	2
Contractual issues with vendor	5	2	8	10	3
Cost savings did not materialise	9	0	9	5	5

Table 6.9 Top reasons for switching vendors

Interestingly, the strategic reasons for switching vendors did not appear to be as important, with eleven of the 28 respondents stating that '*Change in organisational strategy*' was not relevant. Is it that the respondents, predominantly within IT, were not aware of a change in business strategy? Also, a number of respondents

quoted 'cost savings' as an additional reason for switching vendors when stating that cost savings not materialising was not relevant. Was this an indication that these organisations switched vendors to reduce costs further or was something else influencing the decision? Could the latter be that the client was not happy with the vendor service performance, quality or relationship? This is investigated later in this chapter.

For back sourcing, respondents were asked to rate the importance of eight statements when the decision was taken. These statements were adapted from the reasons associated with back sourcing identified in literature (McLaughlin & Peppard 2006, Wong & Jaya 2008, Veltri et al 2008) and were grouped as five strategic and three as operational efficiencies using Porter (1996). The full list of reasons used in the Survey can be found in Table 2.9.

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Cost savings did not materialise	2	1	2	5	3
Lack of visibility of IT – desire to regain control	2	0	4	7	0
Change in role – IT now seen as strategic to the organisation	4	0	3	4	2

Table 6.10 Top reasons for back sourcing

An operational efficiency reason came out with the highest ranking, 'cost savings did not materialise'. One of the survey respondents commented

"Why pay someone for something you can do yourself cheaper."

However, strategic reasons were ranked second and third. These appeared to coincide with the reasons given most importance for outsourcing and match the findings of the Case Study.

6.6.2 Reviewing Backsourcing Risks

Finally, respondents that had back sourced were asked what were seen as the biggest risks when making the decision to backsource. These risks were gathered from those stated in literature and as part of the Case Study. Table 2.11 contains the full list of back sourcing risks.

Risks for Backsourcing	Not relevant	Unimportant	Neutral	Important	Very Important
Disruption to business operations	3	0	2	5	3
Loss of IT technical knowledge	4	0	3	5	1
Lack of knowledge of the process to bring IT back in-house	3	3	1	5	1
Deterioration of relationship with the vendor	2	0	7	3	1
Loss of senior management and/or key staff	4	3	3	3	0
Lack of in-house IT management experience	4	3	3	2	1
Transference of Vendor contracts with third parties	6	0	5	2	0

Table 6.11 Backsourcing Risks

The biggest risk was seen as '*disruption to business operations*', with '*lack of knowledge of the backsourcing process*' and '*lack of IT technical knowledge*' following close behind. This could be seen to mirror the situation often encountered by organisations when initially outsourcing, that lack of knowledge and experience can be used by a vendor to their own advantage (Gorla & Lau 2010). This finding mirrors the risks identified in the Case Study. The opportunistic behaviour of a vendor in this situation has been discussed in Chapters 2 and 5 and will be considered further in Chapter 7.

6.7 Service Dynamics - SERVDYN

The final instrument in each section of the survey for those that had in-house IT, had outsourced, switched vendors or backsourced was SERVDYN – a set of 22 statements grouped in five elements, designed to gauge the relationship with their IT vendor. The purpose of SERVDYN was to provide an instrument capable of comparing the views of respondents in terms of the service received (service performance, quality & relationship) from their in-house IT provision or from the outsourcing vendor.

The results of each sourcing option were then compared for similarities and differences that could act as a predictor of the subsequent sourcing decision taken.

6.7.1 SERVDYN – a Refresher

The construction of the SERVDYN instrument was discussed as part of the Methods (Chapter 3). The five elements of SERVDYN were:

- **Potential Quality:** Ability - characteristics that influence the provider's ability to excel in both soft and hard qualities
- **Hard Process Quality:** Technical - what is being performed during the service process
- **Soft Process Quality:** Functional - how the service is performed during the service process
- **Outcome Quality:** Contribution - the overall rating of the quality of the service as perceived by the client in light of any outside influences
- **Trust:** Trust - the client's evaluation of the way the provider acted during the performance of the hard and soft processes

The full list of SERVDYN elements and statements are documented in Table 3.5.

One element in the SERVDYN instrument had to be recoded, the third statement in the Trust group (TR3). The original statement was '*Important decisions are taken without us*', where a high value would indicate dissatisfaction, a view contrary to the direction of all the other statements in SERVDYN. The values for this statement were reversed using the recode function in SPSS, a technique discussed by Bryman & Cramer (2009), to deal with situations where an answer is contrary to others in the dataset. This statement has now effectively become '*Important decisions are not taken without us*', and will be referred to as such throughout the rest of the analysis to avoid confusion.

Sourcing Category	Purpose of SERVDYN
In-house	Views of respondents on in-house IT service provision
Outsourcing	Views of respondents on current outsourcing vendor
Stayed with the Vendor	Views of respondents on vendor where the decision was to stay after a review
Switched Vendors	Views of respondents on vendor the client chose to switch from
Backsourced	Views of respondents on vendor the client chose to backsource from

Table 6.12 SERVDYN & the Sourcing Category

For the sake of clarity, the SERVDYN instrument was completed by respondents at

a number of stages throughout the survey process (Figure 4.5) for collecting the views on a particular vendor within a specific sourcing category. Table 6.13 expands on this.

6.7.2 SERVVDYN Reliability

The reliability of a measure, specifically SERVVDYN, refers to its consistency (Hussey & Hussey 1997). Reliability is generally split into two types, internal and external (Bryman & Cramer 2009). The first test of the SERVVDYN instrument concerned the internal reliability of the scale used for the five elements (PQ, HPQ, SPQ, OQ & TR) and their statements, with internal validity tested using Cronbach's Alpha. Cronbach's Alpha is a commonly used test for internal reliability, i.e. whether the indicators that make up a scale are consistent. Values above .70 are considered "acceptable" (DeVillis 2003), although others (Bryman & Cramer 2009) consider values over .80 as more appropriate. Responses were grouped as either in-house or outsourced to gain an initial perspective. A value of .969 for the 22 in-house SERVVDYN elements and .951 for the outsourced SERVVDYN elements suggests that the items have a high internal consistency. Each of the elements for in-house and outsourced SERVVDYN elements was then examined.

The impact of removing each item from the scale is illustrated in Table 6.13. Comparing these values with the overall Cronbach's Alpha highlights any individual elements that stand out as inconsistent. In this case, only the third trust element (InTR3 and OutTR3) appear slightly high. However, removing this item would only be appropriate if the overall Cronbach's Alpha was below .7 (Pallant 2007). With an overall value above .95 on both scales, this does not seem apt. It would seem, therefore, that there are no issues with the SERVVDYN internal validity.

Verifying the external reliability is a little more difficult. Generally, external reliability is verified through test-retest or replication (Hussey & Hussey 1997), and revolves around whether the results can be generalised beyond the specific research context (Bryman & Bell 2003). The low rate of response indicates that the

results of the survey are not generalizable, a warning that further research is indicated. A discussion on the validity of SERVODYN is completed in Chapter 7.

SERVODYN Element	In-house	Cronbach's Alpha if Item Deleted	Outsourced	Cronbach's Alpha if Item Deleted
Potential Quality	InPQ1	.967	OutPQ1	.948
	InPQ2	.966	OutPQ2	.950
	InPQ3	.967	OutPQ3	.949
	InPQ4	.968	OutPQ4	.950
Hard Process Quality	InHPQ1	.968	OutHPQ1	.949
	InHPQ2	.968	OutHPQ2	.950
	InHPQ3	.966	OutHPQ3	.948
	InHPQ4	.967	OutHPQ4	.948
Soft Process Quality	InSPQ1	.966	OutSPQ1	.948
	InSPQ2	.966	OutSPQ2	.948
	InSPQ3	.966	OutSPQ3	.948
	InSPQ4	.966	OutSPQ4	.949
	InSPQ5	.966	OutSPQ5	.947
Outcome Quality	InOQ1	.966	OutOQ1	.947
	InOQ2	.966	OutOQ2	.948
	InOQ3	.969	OutOQ3	.951
	InOQ4	.968	OutOQ4	.948
	InOQ5	.967	OutOQ5	.949
Trust	InTR1	.966	OutTR1	.948
	InTR2	.967	OutTR2	.948
	InTR3	.979	OutTR3	.960
	InTR4	.970	OutTR4	.949

Table 6.13 Cronbach's Alpha – SERVODYN Elements

It has been established that the data collected via the survey is non-parametric in nature; this applies to the data for the SERVODYN instrument also. As a result, the following analysis revolved around the median of the values (rather than the mean) and the use of such statistical tests as the Mann-Whitney U test for two independent samples and the Kruskal-Wallis test for three or more independent samples (Field 2005).

6.8 SERVODYN - Multilevel Analysis

The responses for SERVODYN were broken down into their sourcing strategies; in-house, outsourcing, stayed with existing vendor, switched vendors and back-sourcing and subjected to descriptive analysis using Mann Witney and Kruskal-Wallis tests for each of the survey elements. Gounaris (2005) argues that

the INDSERV (from which SERVODYN has been adapted) can be considered as a unidimensional and a multidimensional construct. A unidimensional construct provides the ability to “... capture the underlying meaning of service quality.” (Gounaris 2005, p810)

Gounaris (2005a) suggested that INDSERV could be analysed at different levels of abstraction, as a high-level indication that combines all statements, at a second level separating out the different elements, and the lowest level looking at the statements themselves. Figure 6.6 illustrates the levels of analysis that were undertaken as part of the data analysis.

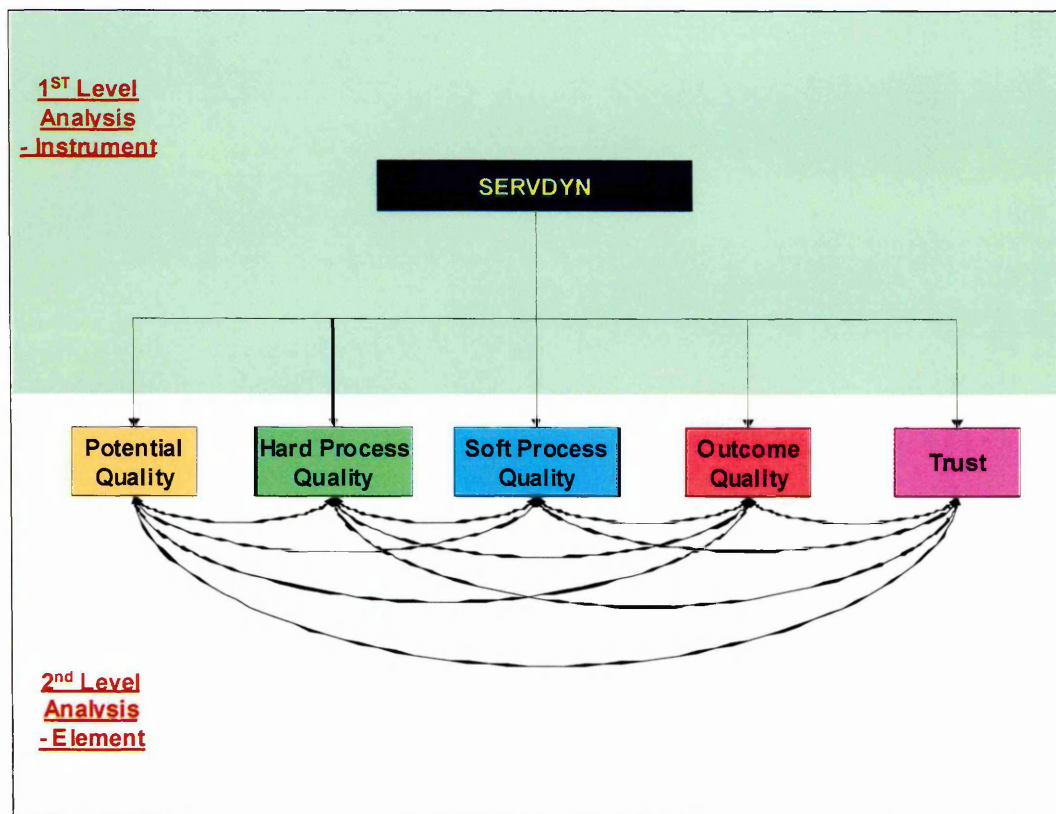


Figure 6.6 SERVODYN - Levels of Analysis

In order to investigate the elements of SERVODYN for each of the IT sourcing options, a good graphic illustration is provided through the application of boxplots. These are useful when comparing the distribution of variables (Pallant 2007), with the box representing the inter-quartile range and the line in the box being the median. The lines extending from the box illustrate the variable's smallest and largest values. Boxplots have been used to provide a visual representation of the SERVODYN elements in the following analysis.

SERVDYN was inserted within each set of questions for those that IT sourcing provision in-house and had outsourced, switched vendors or backsourced. Due to the order of the survey presentation all respondents that had outsourced, regardless of subsequent sourcing decisions, completed the outsourcing SERVDYN first. In order to evaluate if SERVDYN can act as a predictor of the sourcing decision, it was also administered to those that had stayed with their existing vendor to explore any potential differences between those that stayed, switched or backsourced.

6.8.1 First Level Analysis

The first level analysis consisted of two phases; firstly comparing the combined SERVDYN scores for in-house and outsourcing and secondly, comparing the combined scores for in-house with those that stayed with the vendor, switched vendors or backsourced.

For the first phase, a Mann-Whitney test (with two independent variables; in-house and outsourcing) was run to determine if there were differences in the SERVDYN score between those that remained in-house and those that outsourced. There was a statistically significant difference in SERVDYN scores between in-house (Median = 6, Mean Rank 1,016.7) and outsourced IT (Median = 5, Mean Rank=675.42), $U = 117,736$, $z = -13.325$, $p < .001$.

The significant difference between the scores for those with in-house IT sourcing provision and those that had outsourced is illustrated by the boxplot and histogram in Figure 6.7. This appeared to illustrate that in-house IT provision was consistently ranked higher than those that outsourced. However, the SERVDYN score for in-house has to be treated with caution. It may be that the perception of service quality & service relationship is higher for in-house services, or is simply down to the fact that the respondents are those working for the in-house IT, a phenomenon labelled by Barthélemy & Geyer (2005) as "*self-justifying answers*" (p538). This could only be verified by issuing the SERVDYN instrument to a number of users within the organisation external to the IT area.

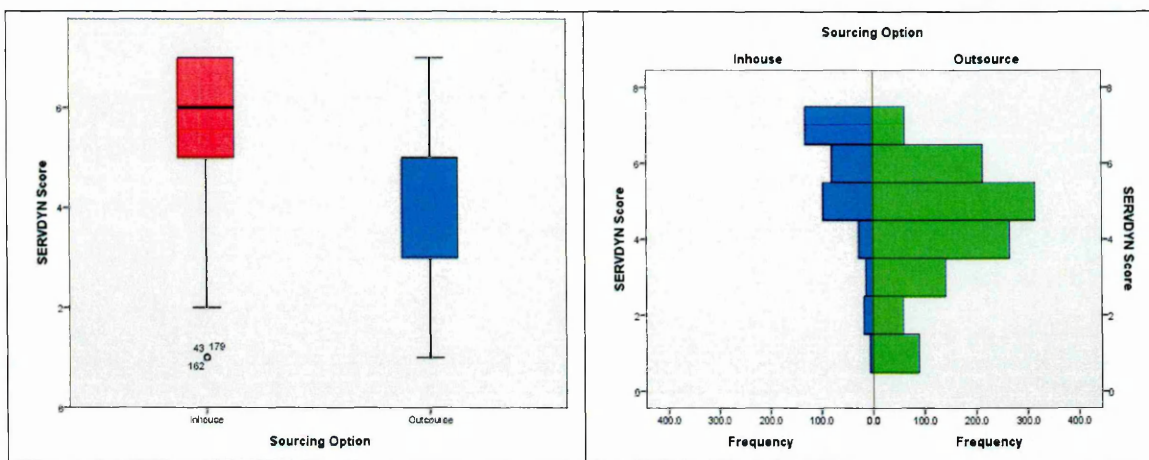


Figure 6.7 SERVDYN – In-house and Outsourcing Combined Statements

If the overall score for in-house IT sourcing is to be taken at face value, it would seem that the mean rank for in-house sourcing is higher than for outsourcing. Therefore, Hypothesis 1a *'The overall combined score for in-house sourced IT will be higher than for those that outsourced'* is supported.

For the second phase, the analysis started with looking at the overall medians by sourcing activity (Table 6.14). At first glance, the highest median of in-house sourcing comes as no surprise, along with the highest median after outsourcing being for those that stayed with vendor. If an organisation is content, enough to take the decision to stay with the existing vendor, the SERVDYN median should be higher than those that decided to switch vendors or backsource. This also seem to be confirmed by the lower median values for those that switched vendors or backsourced. In reality, the medians for the sourcing options are not very informative (Field 2005), so a Kruskal-Wallis test was executed. This produces a mean rank statistic that is more representative of the sample (Field 2005), the results are found in Table 6.14.

	Sourcing Option	Median	Mean Rank
SERVDYN	Inhouse	6	2043.54
	Outsourced	5	1439.45
	Stayed	5	1477.64
	Switched	4	1050.45
	Backsourced	4	1233.55

Table 6.14 SERVDYN – Median & Total Mean Rank by Sourcing Activity

The Mean Rank seems to illustrate a difference between the SERVODYN scores across the sourcing options, with in-house ranked highest, and followed by those that stayed with the existing vendor. Again, this was not a surprise, if an organisation is satisfied with their existing IT sourcing arrangements there would be no reason to change. However, this does bring the discussion back to a point made earlier by self-justifying answers (Barthélemy & Geyer 2005). The mean rank for those that stayed with the existing vendor is noticeably lower than those with in-house provision when, all other things aside, they should be broadly similar. One of two things can only explain the difference between the two values: either they are 'talking up the home team' or there is room for vendor improvement in the eyes of the client.

Returning to the analysis, the Kruskal-Wallis Test also illustrated that the null hypothesis (the distribution of SERVODYN is the same across the sourcing options) can be rejected with $p < .001$. Looking at the total mean rank, the mean rank for those that had in-house provision is higher than those that stayed with their vendor, switched vendors or backsource. It would seem, therefore, that Hypothesis 1b, *'The overall combined score for in-house sourced IT will be higher than for those that stayed with the existing vendor, switched vendors or backsourced'*, is supported. Finally, the mean rank for those that stayed with their current vendor was higher than those that switched vendors or backsourced. Hypothesis 1c *'The overall combined score for those that stayed with their existing vendor will be higher than those that switched vendors or backsourced.'*

6.8.2 Second Level Analysis

The second level analysis concentrated on investigating the relationship between the sourcing option and its elements and the relationship between the elements across the sourcing options. It appears there is also a significant difference between the element scores across the sourcing options ($p < 0.05$ for all tests). This moves the process on to the second level analysis and a more detailed examination of the SERVODYN elements across the sourcing options.

Unlike the first level analysis, this stage had five dependant variables (the

SERVDYN elements), so the starting place for this stage of the analysis was the Kruskal Wallis Test. This test (Figure 6.8) indicated that the null hypothesis could be rejected and that there is a significant difference (at $p < 0.05$) across all the elements for all the IT sourcing options. The boxplots of the SERVDYN scores for all elements by sourcing option (Figure 6.8) indicated that the values for the in-house elements were higher than for those that outsourced. It would seem that Hypothesis 2a *'The element scores for in-house IT will all be higher than for those that outsourced'* is also supported. It also indicated that the score for in-house was higher than that for those that stayed, switched or backsource. As a result, it would also seem that Hypothesis 2b, *'The element scores for in-house IT will all be higher than for those that stayed with their existing vendor, switched vendors or backsource'*, is also supported. Finally, with the element scores for those that stayed with the existing vendor higher than for those that switched vendors or backsource, Hypothesis 2c, *'The element scores for those that stayed with their existing vendor will be higher than for those that switched vendors or backsource'* is supported.

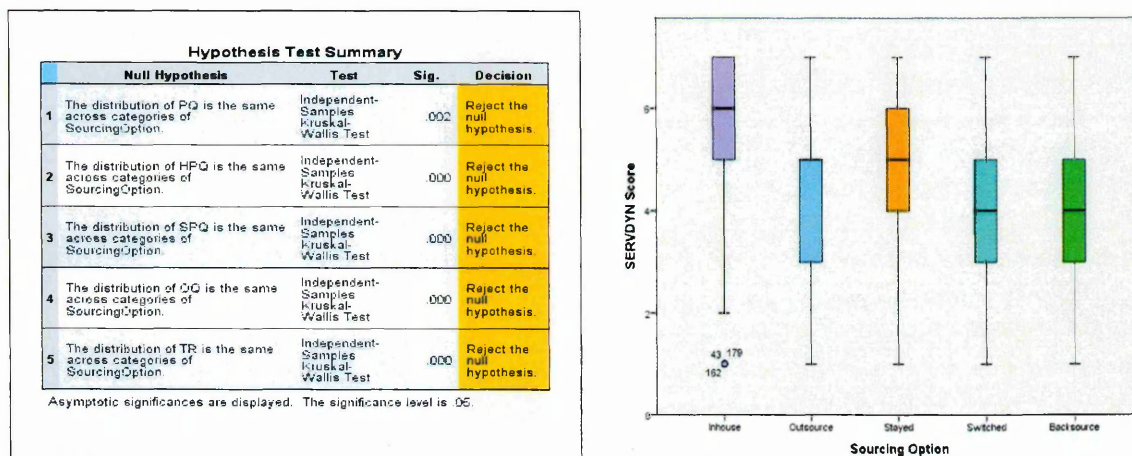


Figure 6.8 Kruskal-Wallis Test: In-house and Outsourcing Elements

The mean ranks were calculated to give a high-level indication of potential differences between the various IT options and the SERVDYN elements (Table 6.15). The results of the mean rank test scores seemed ambiguous and at odds with the boxplot in Figure 6.8. The scores for those that stayed with their outsourcing vendor seemed to be lower than those that stayed in-house or backsource, whilst the in-house scores were broadly similar to those that had backsource. Are these scores significant?

IT Sourcing	Potential Quality	Hard Process Quality	Soft Process Quality	Outcome Quality	Trust
	Mean Rank	Mean Rank	Mean Rank	Mean Rank	Mean Rank
In-house (N=17)	79.18	92.27	113.18	114.62	90.61
Outsourcing - Stayed (N=19)	66.53	54.81	70.21	68.92	56.30
Outsourcing - Switch Vendors (N=28)	80.28	81.66	95.35	99.27	79.17
Outsourcing - Backsourced (N=13)	87.29	84.32	119.47	111.04	89.68

Table 6.15 SERVODYN – Element Mean Rank by Sourcing Activity

Potential Quality (PQ) looks at the judgement of future ability of a vendor by respondents. For those that stayed with their existing vendor, the mean rank for PQ was lower than for those that switched vendors. In fact, the PQ value for those that backsourced was higher than those with in-house provision as well (Table 6.15). A possible reason for both these apparent anomalies lies in with Szmigin's (1993) Relationship cycle and the Cullen et al (2006) outsourcing lifecycle. Both advocate the possible detrition of the service relationship over time if the relationship is not actively managed. It is proposed that outsourcing is not unique in this, and that the relationship between an organisation IT provision and the rest of the business has to be managed also. The evidence of the Texaco study (Hirschheim et al 2003) appears to corroborate this. However, more research would be required to understand if this was the case. It would therefore seem that Hypothesis 3, '*Potential Quality will be higher for those that stayed with their existing vendor than for those that switched vendors or backsourced*' and Hypothesis 4, '*There should be no significant difference in Potential Quality between those that switched vendors or backsourced*' are both unsupported.

Hard Process Quality (HPQ) and Soft Process Quality (SPQ) measure the technical and functional quality delivered by the vendor. These correspond with the quality indicators, product and service, used by Whitten & Leidner (2006). If a client was happy with the current outsourcing vendor, the mean rank for HPQ and SPQ should be higher than for those that switched vendors or backsourced. The results

from the analysis (Table 6.15) are contrary to this. Szmigin (1993) noted that as a relationship develops, more emphasis is placed on hard and soft process quality. Is this reflected in the survey? This is difficult to ascertain, as the respondents were not asked how long the relationship with the vendor had been in place; either at the time of the survey if the relationship was on going, or at the point at which the relationship had ended for those that had switched vendors or backsourced. However, a noticeable difference in the mean ranks (Table 6.15) between those that stayed with the vendor or switched vendors and those that backsourced seems to indicate that factors other than service quality influenced the sourcing decision. It is therefore found that Hypothesis 5, *'Hard Process Quality and Soft Process Quality will be higher for those that switch vendors than for those that backsourced'* is not supported.

It is interesting to note that Hard Process Quality was consistently ranked lower than Soft Process Quality for all IT sourcing options. Szmigin (1993) specified that Hard and Soft Process Quality were important to the day-to-day operation of the relationship and that they did affect each other,

"If soft aspects of the relationship are going well, it is likely that some hard errors will be allowed and visa-versa." (Szmigin 1993, p10)

It would seem that this was the case for the respondents to this research.

Finally, the results of the analysis of the SERVDYN element of Outcome Quality and Trust also proved surprising. Gounaris (2005a) sees Outcome Quality as explaining the clients concern (or otherwise) of the service being delivered, with Szmigin (1993) believing that this element will influence the long term strength of the relationship, provided hard and soft process quality does not adversely affect the relationship. However, the mean ranking for Outcome Quality and Trust were noticeably lower for those that stayed with the existing vendor than for those that switched vendors or backsourced. If backsourcing was completed because IT was seen as strategic, based on the results of the Case Study, the mean ranking for these elements should be the other way round. This apparent anomaly is discussed further in Chapter 7.

As a result of the findings for Output Quality and Trust in the Survey, Hypothesis 6, 'Outcome Quality and Trust will be lower for those that backsourced than those that switched vendors' is not supported.

6.8.3 Reviewing the SERVODYN Hypotheses

The SERVODYN hypotheses results are summarized in Table 6.16.

Hypothesis	Description	Supported?
1a	The overall combined score for in-house sourced IT will be higher than for those that outsourced	Supported
1b	The overall combined score for in-house sourced IT will be higher than for those that stayed with the existing vendor, switched vendors or backsourced	Supported
1c	The overall combined score for those that stayed with their existing vendor will be higher than those that switched vendors or backsourced.'	Supported
2a	The element scores for in-house IT will all be higher than for those that outsourced	Supported
2b	The element scores for in-house IT will all be higher than for those that stayed with their existing vendor, switched vendor or backsourced	Supported
2c	The element scores for those that stayed with their existing vendor will all be higher than for those that switched vendors or backsourced	Supported
3	Potential Quality will be higher for those that stayed with their existing vendor than for those that switched vendors or backsourced	Not supported
4	There should be no significant difference in Potential Quality between those that switched vendors or backsourced	Not supported
5	Hard Process Quality and Soft Process Quality will be higher for those that switch vendors than for those that backsourced	Not supported
6	Outcome Quality and Trust will be lower for those that backsourced than those that switched vendors	Not supported

Table 6.16 SERVODYN Hypotheses Summary

It would seem that there were a number of anomalies in the results of the SERVODYN instrument; these will be discussed in more detail in the next Chapter.

6.9 Summary

The overall impression from the survey data analysis was that it confirmed the findings of previous research in a number of areas and contradicted previous findings in others. All results, however, have to be treated with caution given the size of the survey response.

In 2009, Gartner (2009a) said that there had been 6 megadeals (outsourcing agreements valued in excess of \$1 billion), in 2006, however, there had been 12 (Potter et al 2007). Does this indicate the end of the “megadeal” and a move towards selective sourcing, with smaller deals to multiple suppliers? The results of the Survey seem to indicate that there are fewer ‘megadeals’ than there were previously, none of the respondents stated that their organisation was participating in total outsourcing. Lacity & Willcocks (1998) found that selective sourcing had higher success rates than total outsourcing or total in-house sourcing, so perhaps the move away from the large total outsourcing deals is an example of organisation learning.

Chapters 5 & 6 have presented findings from an in-depth case study backsourcing and a survey of UK organisations using different research methods. Chapter 7 discusses these findings and reviews the theoretical and practical implications.

7 Discussion

The purpose of this Chapter is to explore the findings of the Case Study and Survey phases of the research. These are discussed and expanded upon in light of the research objectives. Useful insights on important literatures and current thinking within the field of IT sourcing are used to augment this discussion

7.1 Revisiting the Research Aim & Objectives

Before discussing the findings of the research process, it is perhaps appropriate to revisit the research aim and objectives for the empirical research set at the start of the research.

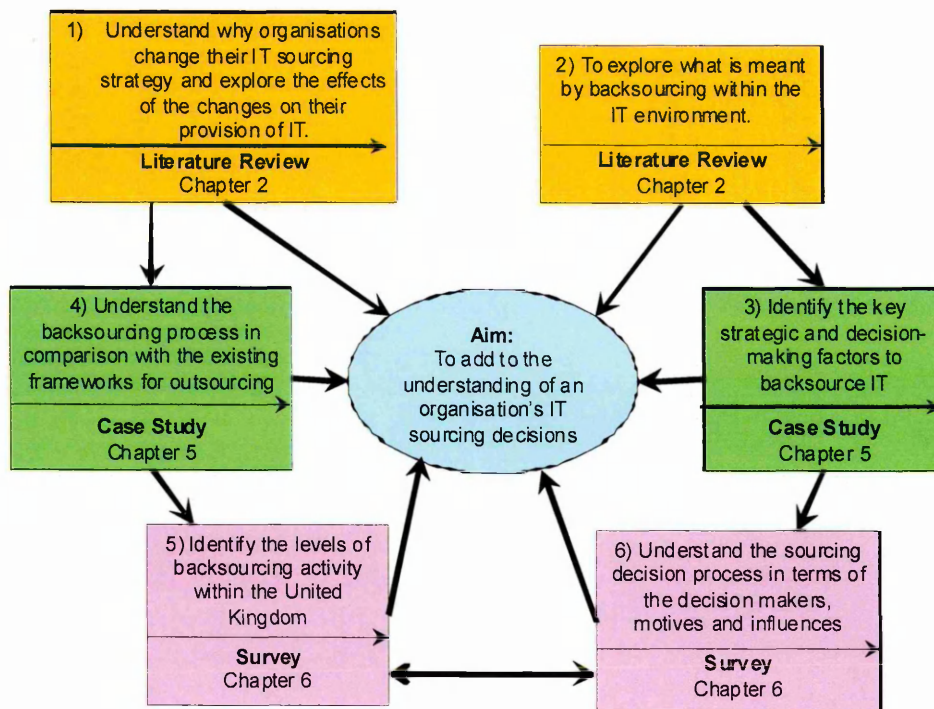


Figure 7.1 Research Aim and Objectives

One of the original drivers for using triangulation was that the two phases of research would be complementary and developmental (Greene et al 1989). The

findings from the first phase of the research would provide clarification and provide input (development) into the second phase of the research (Greene et al (1989). After the Case Study was completed, it was clear that there were two directions in which the research could progress.

The first was to identify other organisations that had carried out back sourcing and complete qualitative research along the same lines as the Case Study. The concern for this approach was access to organisations that had carried out the back sourcing process within the previous year (as was the case with ClientCo). As has already been articulated, organisations do not often announce back sourcing decisions (McLaughlin & Peppard 2006, Veltri et al 2008). Even when they do, information released to the media is 'controlled', with the majority of the details treated as 'commercial, in confidence' between the client and the vendor. Thus, the extent of back sourcing was largely unknown.

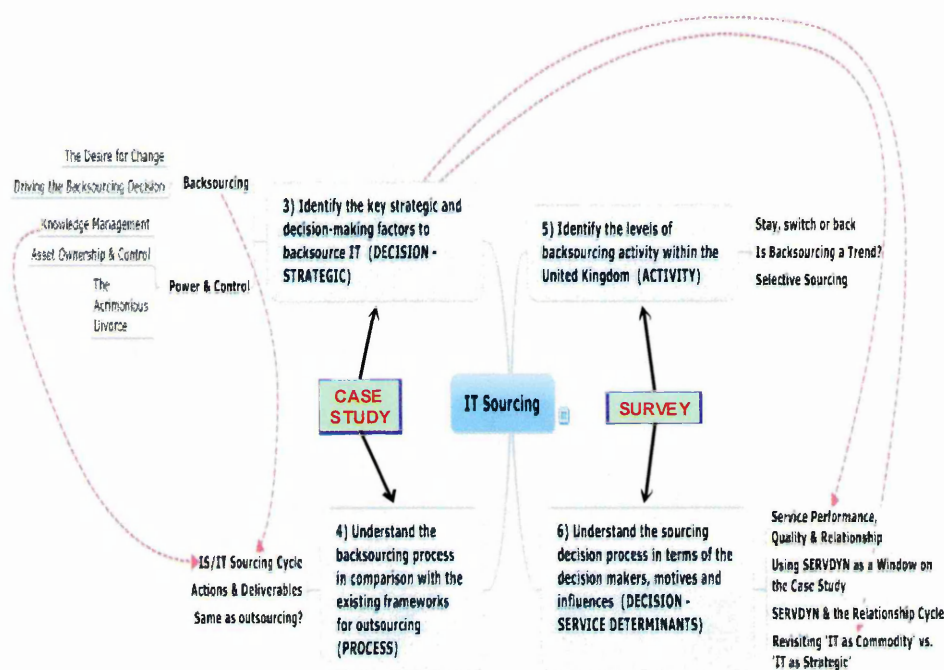


Figure 7.2 Research Findings

In the Case Study, the researcher was in a privileged position to access and interpret answers in the same manner, as previously discussed in Section 4.3.2. This advantage would be limited if the research was to be extended to other

organisations where back sourcing if IT had occurred. With this in mind, the decision was taken to follow the second direction identified, to ascertain the extent of back sourcing activity within the United Kingdom and shed light on the decision making process in other organisations. This shift in emphasis is what Greene et al (1989) would categorise as intuition. This is defined as the desire to explore the paradoxes and contradictions found (Greene et al 1989) in the first phase of the research, specifically within the decision phase of the IT Sourcing Cycle.

The rest of this chapter reviews the findings, in light of the research objectives, of the Case Study and Survey. The following sections are grouped according to the research objective, with Figure 7.2 providing an overview of the contents of each.

7.2 Backsourcing IT – Strategy and Change

This section concentrates on a discussion of the main findings within the areas of strategy and change within the IT back sourcing arena. Contrasting the findings of the Case Study and the Survey, the implications for practical application are also discussed.

7.2.1 Business Strategy & IT Strategy

From the literature review, it seems that business strategy and the IT Strategy are inexorably linked. An outsourcing strategy for IT sourcing, therefore, is made at the highest level and the IT strategy is set accordingly. The assumption that if there is no change in business strategy, then the result should be no change in IT strategy. Both the outsourcing and back sourcing of IT at ClientCo were triggered by a shift in business strategy – the interesting thing here is that for outsourcing IT was seen as part of the problem, for back sourcing IT was seen as part of the solution. For the latter, it was the change in business strategy that led to the review of the IT strategy.

From the end of the second interview within the Case Study, it was clear that a pattern was beginning to emerge. ClientCo were in the process of rapid reconstruction, what Johnson et al (2011) term a 'turnaround strategy'

"...where the emphasis is on speed of change and rapid cost reduction and/or

revenue generation." (p484)

Beer and Walton (1987) stated that change in a turnaround situation is likely to proceed quicker because the perceived need to change is higher and the resistance to change lower as a result. For the backourcing decision made by ClientCo, it was clear that the perception of the CEO was that the outsourcing agreement was not suitable for the organisation as it went through significant change and business re-alignment. As a result, the resistance to backourcing was low within ClientCo, it was seen as necessary to facilitate the required 'turnaround strategy'.

Figure 7.3 illustrates the process ClientCo went through in terms of business and IT strategy.

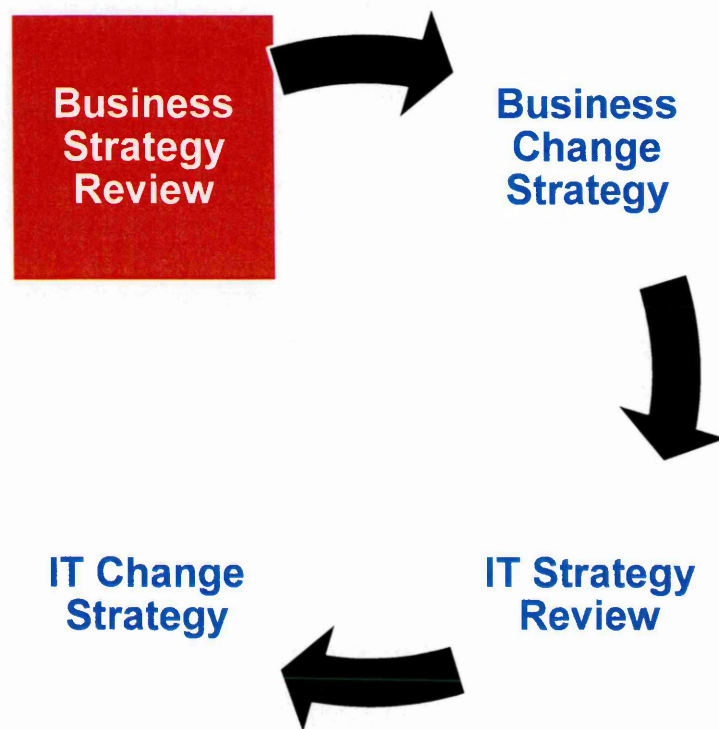


Figure 7.3 Strategy and Change

Why would ClientCo make a decision on strategy change without IT strategy change at the same time? In a way, the IT review revealed a problem discussed further in Section 7.2.5 when reflecting on relationship power and control. Determining and implementing business innovation with IT as part of the 'turnaround strategy' would not be an issue with in-house IT – discussing these with a vendor, however, may be a different matter. Although confidentiality

agreements would be in place, from the researcher's experience such discussions with a third party IT provider would still cause unease. ClientCo had an inadequate vision of the whole of IT (as discussed in Chapter 5) & therefore felt alienated. A full discussion with VendorCo on strategy central to the future success of ClientCo would therefore seem unlikely before the business strategy had been set. It seems reasonable to assume from the Case Study that in the case of ClientCo, business strategy was set & drove the IT strategy review (Figure 7.3). This eventually led to the decision to backsource IT.

How Senior Executives view IT also goes a long way towards setting the direction of IT strategy. Is IT seen as a core competence or as a commodity - merely a necessary cost the organisation has to pay? If business strategy provides the 'what' in terms of the direction of IT, the IT strategy sets the 'how' it will be implemented. It is at the 'how' stage that IT becomes more complicated. In the past, the choice was between in-house and outsourcing, often as an all or nothing. However, as illustrated in the literature review, it is within the IT strategy and the subsequent categorisation of IT functions and systems, that the decision can be taken on what is considered as 'IT as commodity' or 'IT as strategic' moving more towards the idea of selective sourcing (Lacity et al 1996). Selective sourcing is discussed further in Section 7.4.2. In the case of ClientCo, the 'what' had been decided, the 'how' was then reviewed and back sourcing seen as the only viable option.

7.2.2 Pushing for IT Strategy Change

A clear finding from the Case Study was that the IT changes under the outsourcing agreement were not bringing the expected business benefit. Whether this perception was ClientCo wide or just in the eyes of the CEO is not clear - what seemed clear was the perception of a disconnect between IT and the business. Was this just because IT had been outsourced? In a longitudinal study within Texaco, Hirschheim et al (2003) found that even a successful IT department responsible for the corporation was perceived by Senior Executives as ineffective and costly overhead. In this study, Texaco had gone through various IT sourcing models with varying degrees of success. Brown & Hagel (2003) stated that in a McKinsey report

only 6 out of 59 industries noted a significant positive correlation between IT investments and productivity. It was suggested that it was changes in business practices that leveraged IT capabilities (Brown & Hagel 2003). This leads to an interesting question; did ClientCo contribute to the failure of the outsourcing agreement by not changing business practices to accommodate the new IT systems delivered by VendorCo? This is beyond the scope of this research, but certainly an area for further research, particularly with the apparent emphasis in literature on 'strategic outsourcing partners' (DiRomualdo & Gurbaxani 1998, Fan 2000).

7.2.3 Driving the Backsourcing Decision

For the Case Study, it was apparent that the new CEO drove the decision to backsource once an organisational review had taken place. Johnson et al (2011) stated that the CEO is

"...often seen as 'chief strategist', ultimately responsible for all strategic decisions." (p500).

It is no surprise, then, that the backsourcing process could be said to be driven from the top. Given the basis for the decision, conflict resolution methods in outsourcing disputes proposed by some (Klepper and Jones 1998, Bahli & Rivard 2003) were superfluous. The desire for a clean break (*INT2*) meant that backsourcing was the only real option. Switching vendors was just dismissed as 'more of the same'. Interestingly, within the Survey the top reason quoted for backsourcing was that cost savings did not materialise. However, the reasons ranked second and third were associated with either strategic change within the organisation or the strategic perception of IT. Is this a 'throwback' to a point made earlier in Chapter 5, where the perception of the interviewees was that the decision was made by the CEO for strategic reasons, with reasons such as cost savings were given externally?

Looking at the official reasons and benefits stated by the interviewees, it was clear that these coincided with those found by McLaughlin & Peppard (2006) and Veltri et al (2008), but these were reasons articulated in articles and press releases. It would seem that further research into other instances of backsourcing, based on empirical research, would be indicated to see if the results are generalizable to the

backsourcing market in the UK as a whole.

For switching vendors, such reasons linked to strategy were absent from the top three reasons in the survey research and were all linked with operational efficiencies rather than strategy. Does this suggest that switching vendors is completed for reasons of operational efficiencies rather than strategy? This point was validated by the findings from the survey when looking at the level within an organisation IT sourcing decisions is made (Section 6.5.2). For outsourcing, the decision seemed to be more attributable to the CEO, Board of Directors and Head of IT. For switching vendors, although the Head of IT was often involved, so was Middle Management. This is interesting in itself as the latter were very rarely involved in the original outsourcing decision. Would it be reasonable to assume that outsourcing is a strategic decision and that switching vendors was completed for operational efficiencies? This implies that although the organisation was unhappy with the vendor, the strategy to outsource remained intact.

7.2.4 Reaching the IT Sourcing Cycle Tipping Point

In the case of ClientCo it seemed that a 'tipping point' had been reached; that point at which an organisation moves from Operation to Decision in the IT Sourcing Cycle – a desire to review the current IT sourcing arrangements, whether they are in-house or outsourced to a vendor. The decision can be made based on any number of criteria, but ultimately comes down to either a specific strategy or desired operational efficiencies (Porter 1996). The eventual decision, be it outsourcing, switching vendors or backsourcing, basically boils down to 'stick or twist'. 'Twist' represents a change to the existing arrangements and, as the association with a card game suggests, represents a gamble – the organisation does not know what it is getting until it turns the card.

For ClientCo, one factor that contributed to the 'tipping point' and therefore the decision to backsource revolved around the calculation of the switching costs. These are often seen as a barrier to making a decision to switch vendors or backsource (Whitten & Leidner 2006). Bahli & Rivard (2003) saw these costs as being constituted of termination costs and handover and implementation costs.

For ClientCo, the position on termination costs was complicated by the fact that the outsourcing agreement was terminated “for convenience” (INT2). Once the decision had been made, the cost of termination had to be negotiated with VendorCo (INT5), a situation that essentially held up the transition process for three months (INT2). However, even when all the switching costs were taken into consideration, the backsourcing decision paid for itself within two years (INT1).

Porter (1997) argues that ‘fit’ within an organisation is more important than the management trends towards ‘core competencies’ and ‘critical’ resources ignores the idea of ‘fit’ surrounding functional policies

“Fit locks out imitators by creating a chain that is as strong as the strongest link.”

(p70)

and

“Competitive advantage grows out of the entire system of activities.” (p73)

Could this be a reason, then, why companies backsource their IT? Does this explain why IT was outsourced by ClientCo in the case study as it was not considered a core competence, suddenly became one five years later? Is it that the organisation realised that VendorCo (and therefore outsourcing) did not ‘fit’ anymore? DiRomualdo & Gurbaxani (1998) proposed a model that assigned four levels of business impact objectives for IT, from better aligning IT with business through to implementing IT-enabled business change and performing IT-intensive business processes. Again, this returns to the idea that the CEO did not believe that the changes required within IT to align with the business change under the regeneration programme could occur with VendorCo controlling IT.

The consensus from all interviewees was that the contract was terminated ‘for convenience’, similar to the reasons attributed to the termination of the outsourcing agreement between Sears, Roebuck and Co. and Computer Sciences Corporation (McDougall 2006b). In this case, each party sued the other but chose to accept mediation and a settlement rather than a protracted court case. Sears, Roebuck and Co. had a lot to lose going to court; CSC were still providing IT services until an agreement was accomplished (McDougall 2006b). There would

appear to be a parallel between events at Sears, Roebuck and Co, where a change of senior management led to a review of a major outsourcing deal (McDougall 2006b) and the circumstances ClientCo encountered.

7.2.5 Relationship Power & Control

The principle of control was a very strong theme within the Case Study and the Survey. Contrary to the advice of Currie & Willcocks (1998) and Fowler & Jeffs (1998), ClientCo outsourced IT at a time when it perceived to be in trouble. As Verhoef (2005) described it, they threw the problem over the fence. As a result, it exacerbated the problem in terms of control of IT by abdicating responsibility for it. The importance of control and ownership will be returned to later in this chapter.

One of the statements made by an interviewee was that they could not judge if some of the decisions being made on their behalf by VendorCo were in their “best interests”, the implication being that decisions on which IT systems packages selected were not necessarily the best “fit” for business benefit (*INT2*). It was clear that VendorCo managed to re-platform key systems (*INT6*), what was not clear was whether they were “fit for purpose” (*INT1*). The clear message from the interviewees was that the early work completed by VendorCo on desktop systems and other infrastructure systems (*INT4*), what could be considered as underpinning systems in the Strategic Diamond (Figure 2.4). The questions about “value for money, fit for purpose” revolved around the systems developed in the latter stages, those that could be considered inside the strategic diamond (*INT2*). Was the decision to backsource made partly because expected business benefit from those new systems did not materialise? Again, “*Fit for purpose, value for money*” (*INT1*) comes to mind.

As discussed previously in Chapter 2, Clemons & Hitt (2004) identified three types of opportunistic behaviour; poaching, deliberate underperformance and abuse of power. It is the third point, the abuse of power, which ran as a common theme throughout the case study. The perception was that VendorCo were guilty of this during the outsourcing agreement (high costs for new projects just being one

example) and during the subsequent back sourcing transition (cherry-picking staff, withholding access to staff etc.). Although there were no allegations of poaching, a concern was expressed that VendorCo's relationship with a major competitor presented the possibility of a conflict of interest, with only VendorCo's insistence that "Chinese walls" were in place to provide protection against such an occurrence (*INT1*, *INT2*). It was the unease with this arrangement that provided another concern for ClientCo that added to the decision making process.

7.2.6 Asset Ownership & Control

Within the Case Study, it was highlighted that the interviewees stated that the idea of control of IT was a major driver for back sourcing. Returning to the framework proposed by Cullen et al (2005) mention in Chapter 2, Table 7.1 illustrates that the ownership and control of the categories proposed by Cullen et al (2005) within the outsourcing relationship. Two specific points in time were considered important by the interviewees: the "start" of the agreement and when the review of the agreement took place prior to the back sourcing decision. This clearly illustrates the imbalance between ClientCo and VendorCo in terms of ownership and control.

Resource		Ownership		Control	
		Start	Review	Start	Review
Assets	Hardware	Joint	ClientCo	VendorCo	VendorCo
	Software	Joint	ClientCo	VendorCo	VendorCo
Facilities	Offices	VendorCo	ClientCo	VendorCo	ClientCo
	Data Centre	ClientCo	ClientCo	VendorCo	VendorCo
Labour	Direct	VendorCo	VendorCo	VendorCo	VendorCo
	Management	VendorCo	VendorCo	VendorCo	VendorCo

Table 7.1 Resource Ownership Matrix

Along the lines used by Hart (1989), the assets required for the outsourcing agreement between ClientCo and VendorCo can be split into nonhuman (non-specific) and human (highly specific) assets. In the last few years of the agreement, the nonhuman assets were owned by ClientCo and the human assets by VendorCo (*INT6*). Essentially, VendorCo owned the specific assets, i.e. the people - ClientCo owned the non-specific assets, i.e. the IT infrastructure.

Why could the different ownership of the non-specific and specific assets be important in the ClientCo/VendorCo relationship? This idea of ownership seemed to have been the source of frustration or even disagreement within the ClientCo/VendorCo relationship. It may provide part of the explanation of the 'black box' impression held by the ClientCo interviewees (*INT1*, *INT2*). ClientCo eventually gained full control of the non-specific assets purchased as part of the joint agreement prior to the termination of the outsourcing agreement (*INT6*). Owning the assets (infrastructure, hardware and software) did not mean that ClientCo had control over them. The source of conflict may have been that ClientCo only controlled the nonhuman assets. It was the human assets belonging to VendorCo that dictated how the non-human assets were deployed and used as part of the outsourcing agreement. Control of the assets owned by ClientCo was therefore with VendorCo. Returning to the comments made by interviewees earlier, it could be that one of the benefits around this question of ownership voiced by one of the interviewees is key

"The ability to own the picture, as opposed to anyone else deciding what the picture looked like, in terms of how it was run, executed and operated" (INT1)

To take the analogy further, ClientCo owned the picture, knew how big the picture was and how much it cost, but not what it looked like. One of the reasons put forward for this was that

"You weren't wholly visible of the decisions you were making. The layers between the organisations were too thick." (INT1)

A thought occurs when examining the idea of non-specific and specific assets as proposed by Williamson & Tweedy (1986). Is this another way of categorising IT as commodity (non-specific) and strategic (specific)? Is asset specificity a factor in deciding whether an asset can be considered commodity or strategic, particularly within an outsourcing relationship?

The split of ownership and control between ClientCo and VendorCo seemed at odds with current literature. ClientCo owned the IT infrastructure and VendorCo the human assets. Applying the "IT as Commodity vs. IT as Strategic" principle and the IT Strategic Diamond (Figure 2.4) framework, it would seem that ClientCo

did not have ownership or control over any part of the Strategic Diamond or, for that matter, the rest of the Triangle. Essentially, ClientCo had ownership of the IT infrastructure, but not of the human assets that would transform the “IT as Commodity” into “IT as Strategic.” Ultimately, it may have been the lack of control that provided the main driver to backsource; the cost savings just made the business justification easier. ClientCo’s perception of IT changed because of the recovery programme to seeing the whole of IT as competitive/transformational. This may have been due to the black box nature of the agreement with VendorCo - they could not see what parts of IT were sustaining/supporting.

7.3 Backsourcing – Learning the Lessons

The fourth research objective was to understand the backsourcing process and compare this with the outsourcing process. It is clear that the backsourcing process was different from the outsourcing process for ClientCo in the Case Study, but how different?

7.3.1 Actions & Deliverables

Applying the IT Sourcing Cycle to the backsourcing process carried out in the Case Study illustrated a number of key actions or deliverables for each phase many of which were not apparent to ClientCo when the decision was taken to backsource.

For ClientCo in the Case Study, backsourcing was seen as ‘simple’ in terms of the requirements. As long as they had the people, the commercials and could run the systems once it was transitioned that was all that was required (*INT1, INT2*). This seems a little rudimentary in terms of the backsourcing project overall, but it does provide the areas key to the success of the process. Table 5.1 identifies the risks and issues discovered during the Case Study.

Returning to Cullen et al (2006) discussed previously in Section 3.1.5, it is thought provoking to use this list as a basis for what was completed by ClientCo as part of the backsourcing process. As mention previously, Cullen et al (2006) created four stages within the Outsourcing Lifecycle Model: Architect, Engage, Operate and Regenerate. This was compared with the IT Sourcing Cycle and the key activities

were matched with those identified by Cullen et al (2006) as part of the backsourcing process. The resultant analysis can be found in Appendix 7.

This analysis seems to indicate a significant difference between the activities expected for outsourcing and those indicated as necessary for backsourcing, as indicated by the Case Study (see Appendix 7).

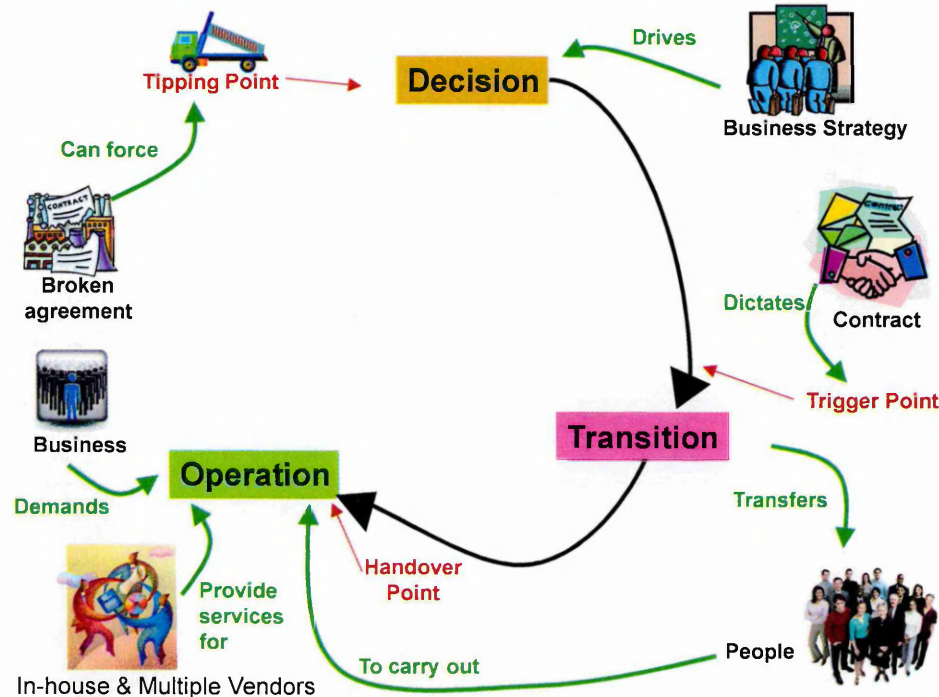


Figure 7.4 The IT Backsourcing Cycle

Figure 7.4 illustrates the backsourcing process for ClientCo. Although there is no current connection between Operation and Decision, it is suspected that, in common with other organisations (Hirschheim et al 2003), the cycle will be completed at some stage in the future. Subsequent to the Case Study interviews, ClientCo followed an IT strategy based on selective sourcing in order to achieve operational efficiencies, thus completing the cycle.

Finally, an area that was not considered during the decision phase by ClientCo but became apparent once the transition started, that of 'keeping the lights on' during the transition from VendorCo (INT2). Essentially, ClientCo had to fund additional VendorCo management resource to manage the transition process whilst the existing VendorCo management continued to manage the service provision. This additional real charge had not been factored in to the original backsourcing cost

calculation (*INT1*).

7.3.2 Lessons from the Transition

It was clear from the Case Study that there were a number of lessons learnt by ClientCo during the Transition phase advocated in the IT Sourcing Cycle (Figure 3.2) that are worth considering in a wider context. One was that business and IT capabilities largely abdicated to VendorCo had to be accomplished by ClientCo during both the transition and once the outsourcing Transition was complete, along with the issue of knowledge management during the backsourcing transition. In the case of the later, ClientCo had to ensure that the requisite skills within IT were either retained or re-acquired. This is discussed in Section 7.3.2.2. However, ClientCo encountered a larger, unanticipated, issue, that of the breakdown of the relationship with VendorCo.

7.3.2.1 The Acrimonious Divorce

Research originally carried out by the author while with VendorCo (Butler 2005) seemed to show a disconnect between IT (VendorCo) and the business (ClientCo). At the time, however, this was also a 'one way study,' with only the views of VendorCo staff available. What both studies have in common was the perceived disconnect between IT and the business. This is not uncommon and has been found in literature even when the IT department is in-house (Peppard & Ward 1999, Hirschheim et al 2003). Other studies have shown this disconnect between an outsourced IT function and the client (Hirschheim et al 2003, Wong & Jaya 2008, Veltri et al 2008). So, is the problem a vendor perception issue, or an IT perception issue? For the latter, it would not matter whether IT was outsourced or in-house. One of the reasons given in early outsourcing research was the gap between IT and the business, the perception that IT was poor value for money, a non-strategic function and that the value of IT was just not understood (Willcocks et al 1995, Kremic et al 2006). These reasons, though, were used as justifications for outsourcing but seem to be as applicable for backsourcing.

One aspect that became clear during the research was that ClientCo was unhappy

with the agreement with VendorCo, although it had been renegotiated only two years previously (INT2). The issue was that this re-negotiation was completed under previous ClientCo IT senior management. Part of the reason for this unease may be explained by the inexperience of previous management when carrying out the outsourcing re-negotiation. As Bahli & Rivard (2003) state

"Because of its awareness of the impact of contractual clauses, a supplier with much expertise with outsourcing contracts may very well haggle more than an inexperienced one during the process of reaching an agreement" (p215)

Chakrabarty & Whitten (2011) go further, stating that outsourcing contracts negotiated and managed by "business executives" rather than "IT executives" tended to lead to lower outsourced product quality. Lacity & Willcocks (2001) illustrated this by stating

"While these 'CEO-handshake' deals may have saved money in the short term, the relationship deteriorated in several cases as the consequences of a poorly negotiated deal became evident." (p161)

The subsequent issue is that as time passes and IT requirements evolve, the "business executives" tend to make poor deals with the vendor because of their lack of competence in IT (Lacity & Willcocks 2001). This was a point made by one of the interviewees during the case study.

"I would say that ClientCo abdicated, not outsourced, abdicated IT. They basically said to VendorCo, we don't know how to run an IT function, we've got to make a big step change in technology and do it for us." (INT2)

This was very much a 'CEO-handshake' deal. IT specialists were recruited to manage the outsourcing agreement, but only after the contract had been running for nearly two years (INT2, INT6). Prior to that, there was no controlling IT function, so VendorCo was dealing directly with "business executives". This subsequently led to the perception of the new CEO that the agreement had not been executed in the best interests of ClientCo.

It is clear from the Case Study that the breakdown in the relationship contributed significantly to the issues encountered during Transition and, subsequently, Operation. As the contract was terminated 'for convenience' similar to Sears, Roebuck & Co (Tadelis 2007), negotiation of an exit plan was made more difficult because VendorCo appeared to act in a predatory manner. As Barthélemy (2003)

noted,

"The end of the outsourcing contract must be planned from the outset. Building reversibility clauses into the contract is crucial." (p95)

It is not clear from the research whether the exit strategy in the original contract was sufficiently robust, what was clear was that it was sufficiently ambiguous to cause major conflict between the parties and held up the transition process. This significantly increased the complexity of the transition for ClientCo.

This raises the issue of an exit strategy and its importance. With nearly 12% (n=6) that outsourced in the Survey stating that they did not have an exit strategy, a follow-up question for those that switched vendors or backsourced may possibly have been whether the exit strategy (if it existed) aided the transition from the incumbent vendor.

Learning from the Case Study came in a number of areas, the main one of which is that all is not always as it appears. Bhagwatwar et al (2010) came to the conclusion that Sainsbury's backsourcing process was successful and that

"Another important aspect of backsourcing is to ensure the co-operation of the outsourcing vendor. Sainsbury's, even after the backsourcing decision, was able to maintain good relations with Accenture." (p169)

It would seem then, that all was amicable between the two organisations when the outsourcing agreement was terminated. These conclusions were reached through a study of secondary data; company accounts, media releases etc. From the Case Study, empirical research in the 'real world', it appears that all may not be as amicable in such a situation as the organisations involved would have the outside world believe. The Case Study paints a picture that in such a situation a relationship breakdown – an acrimonious divorce – can be the result. The question to ask is which situation is more likely; the swan above the surface or the parts of the swan below it? In truth, the real relationship at the time between ClientCo and VendorCo could be seen as a private/public persona, the public persona is the swan gliding across the surface, the private the frenetic activity below the water. A better analogy may be that of an iceberg, the one third above the water is what the two organisations involved want the world to see, the two thirds below could sink the reputations of the organisations of involved, just like the Titanic, if it became

public. This is the crux of the matter - a mutual interest in the real relationship breakdown not entering into the public domain.

Clearly, the breakdown of the relationship between ClientCo and VendorCo made the transition difficult in a number of areas, the negotiation around the termination of the agreement being one that has been noted earlier in this section. It also had a 'knock-on' effect in the key area of knowledge management.

7.3.2.2 Knowledge Management

Johnson & Scholes (2002) stress the importance of knowledge and knowledge management when considering strategic capability. If IT had been backsource to increase the strategic capability of ClientCo, it is the application of knowledge, tacit and explicit, in the merged organisation that would increase the strategic capability of the organisation as a whole. Within the survey, loss of IT technical knowledge was seen as one of the main risks of backsource.

Referring back to the discussion in Chapter 2 on the effect of learning on an organisation when a component is outsourced (Anderson & Parker, 2002) if IT is seen as the component outsourced, it would be VendorCo that would accrue the learning. This is because the integration piece - the implementation and use of the live IT systems - would be shared between VendorCo and ClientCo. The latter would be responsible for integrating the new IT system into its business processes.

It became apparent from the Case Study that ClientCo acknowledged a lack of IT management skills in a number of areas. To try and put the extent of the skills shortage into context, the framework of IS Core Capabilities proposed by Feeny & Willcocks (1998) was used; firstly to identify the areas required for outsourcing, as proposed by Feeny & Willcocks (1998) & then to apply it to backsource and the areas of experience needed when backsource.

The whole area of staff engagement to encourage staff to transfer back to ClientCo seemed to go over and above that which a Vendor starting an outsourcing agreement would expect to implement. From personal experience, the engagement

with VendorCo started within a week of the outsourcing agreement being announced. A number of large meetings were held regularly during the outsourcing transition. It is apparent that this ran contrary to the co-operation from VendorCo during the backsourcing transition, where ClientCo could not speak to a member of VendorCo IT without a VendorCo Senior Manager being present.

Using the nine IS Core Competencies advocated by Fenny & Willcocks (1998) illustrated in Figure 2.1, it would seem that the three categories of 'Business and IT vision', '*Delivery of IT Services*' and '*Design of IT architecture*' would be divided up between the client and the vendor in the case of total outsourcing. In the case of ClientCo and VendorCo, the '*Delivery of IT services*' and '*Design of IT architecture*' would be in the remit of VendorCo, although ClientCo would carry out '*Contract monitoring*' and '*Vendor development*', albeit that the latter was only VendorCo. VendorCo themselves dealt directly with IT vendors. However, it is with the category of '*Business and IT vision*' that conflict may have been created. It was found in the Case Study that the IT systems being delivered were not 'Fit for Purpose' – was this due to a mismatch in the business thinking and the design of the systems delivered? Alternatively, was it because the business visions of ClientCo and VendorCo were different, each wishing to maximise benefit from the relationship.

So, it would seem for backsourcing (or even in the case of selective sourcing) that all the areas are relevant, this implies a number of areas that suddenly become in scope for ClientCo, specifically the '*Design of IT architecture*', an area they would have relied solely on VendorCo for delivery. This seems to validate a statement made by one of the interviewees,

"It's like moving from using a taxi to driving your own car." (INT5)

This concept of capabilities that a backsourcing organisation has to re-acquire is also applicable to the issue of knowledge management. This is addressed shortly.

Finally, if IT had been backsourced to increase the strategic capability of ClientCo, it is the application of knowledge, implicit and explicit, in the merged organisation

that would increase the strategic capability of the organisation as a whole. Within the survey, loss of IT technical knowledge was seen as one of the main risks of back sourcing

7.3.3 Are Backsourcing and Outsourcing the Same?

Determining whether outsourcing and back sourcing are the same depends upon the way it is viewed. From the perspective of the IT Sourcing Cycle, they both go through the same phases. In terms of the detailed tasks and the viewpoint of the client, it would appear they are not. In the previous section, the outsourcing building blocks and tasks proposed by Cullen et al (2006) were compared with the tasks carried out by ClientCo (Appendix 7). It would seem from the evidence of the analysis (Appendix 7) that back sourcing and outsourcing are different in terms of the necessary processes to deliver a back sourcing or outsourcing project.

For ClientCo, it was clear that the outsourcing and back sourcing process were not the same. Issues around knowledge management, staff retention and the lack of co-operation from VendorCo highlighted areas for back sourcing (*INT1*, *INT2*) that were not issues during the original outsourcing process.

ClientCo considered themselves lucky that VendorCo keep the outsourced IT as an autonomous, identifiable unit. For many large outsourcing agreements, a client's IT, once outsourced, is often broken up and re-distributed among the vendors other IT resources. This includes data centre consolidation and using staff on multiple client assignments (Hirschheim & Lacity 2000, Kakabadse & Kakabadse 2002). It was this lack of consolidation by VendorCo that made the back sourcing decision easier for ClientCo (*INT2*).

Finally, can switching vendors and back sourcing be considered the same? Process wise and conceptually the answer would have to be no. In the case of switching vendors, a client has someone on their side – the new vendor! This returns the idea of ownership and control. The new vendor will own the newly transferred infrastructure/functions/systems and it is therefore in their best interest to ensure that the transition process runs smoothly. Olzmann & Wynn (2012) confirmed that

such a transition could be difficult because the old vendor may not be motivated to carry out such a process.

7.4 Sourcing Activity in the United Kingdom

The Survey was instigated to advance the understanding of the IT sourcing activity and the associated decision making factors within UK organisations. This section discusses what was found, along with the implications for practice.

7.4.1 Stay, Switch or Back?

The IT Sourcing Cycle was used primarily during the Case Study, providing a structure with which to organise the semi-structured interviews. The Interview Guide (Appendix 3), grouped by each phase of the IT Sourcing Cycle, both provided a focus and allowed for flexibility in the interview process (Bryman 2008). Although the interview questions and sub-questions were the basis for the order of the interview, it was clear from the majority of the interviewees that the process of decision, transition and operation provided a logical split in the way they saw the backsourcing process carried out within ClientCo.

The main question, though, is whether the sourcing cycle actually occurs in organisations. The research carried out within this thesis seems to corroborate the phases in the cycle, but do organisations go through the full cycle multiple times? The Case Study demonstrated an organisation that had completed the sourcing cycle twice, once for outsourcing and again for backsourcing. Evidence from the Survey seems to support similar activity. From the Survey of 69 respondents, 75.4% (n=52) had outsourced, with half of those (n=28) switching vendors and a further 7% (n=5) backsourced after the initial outsourcing. An additional 11% (n=8) backsourced after the vendor switch. All of the respondents to the Survey stated that they had reviewed their outsourcing contracts, with just over half (n=27) stating that they had renegotiated the contract. The Survey results seem to endorse that the sourcing cycle has been completed three times (outsource, switch vendors and backsourc), by at least eight of the respondents. Lacity & Willcocks (2000) and Deloitte (2005) both found that outsourcing was not the end of the IT journey – at some stage in the future the sourcing cycle starts again.

7.4.2 The Rise of Selective Sourcing

The Case Study represented the reversal of what Gartner (2007) term as a 'mega deal' (those outsourcing contracts worth more than \$1 billion). However, these deals could be considered as being in the minority and becoming less common (Gartner 2010). The findings from the survey seemed to be an indication of this, with only 6% (n=3) of the respondents being what was characterised as total outsourcing (i.e. greater than 80% of annual IT budget), with the IT budgets for the three total outsourcing respondents varying from £1-10 million to greater than £100 million per annum. The majority of the agreements seemed to indicate there had been a move towards selective outsourcing, a trend also supported in recent years (Lacity & Willcocks 2000, Lacity et al 2009). What could be contributing to this trend?

Lacity et al (1996) and King & Malhotra (2000) both stated that the total in-house sourcing solution was often completed with the purchase of contractors (otherwise known as IT freelancers), individuals who had the specific skills on a contractual basis to complement the knowledge and skills of IT employees within an organisation. These contractors could be hired and terminated according to workload, flexibility not possible with permanent employees. However, government tax legislation brought into force in 1999 in the UK made IT freelancing less lucrative (ContractEye 2011). Along with the downturn in demand for contractors post year 2000 and the increasing use of foreign workers (The Register 2003a), the result was that work for IT freelancers dried up (The Register 2003b). Because of the effective reduction in IT freelancers, organisations in the UK had to look at ways of augmenting expertise without increasing operational expenditure (i.e. via permanent employees). One way was to bring in consultancy provision for specific projects from companies such as Tata Consulting, Infosys and Cognizant - effectively implementing selective outsourcing (The Register 2003a). This approach had an added benefit - reduced cost by way of offshoring. Such an approach does not come without its negatives, the discussions of which are beyond the scope of this research.

It must be borne in mind, though, that selective sourcing has been around for some time, being noticed by Willcocks et al as early as 1995. However, with 50% (n=26) of the survey respondents stating that their level of outsourcing was below 20% of their IT budget, it is difficult to draw conclusions with the findings of similar surveys. Lacity & Willcocks (2000), for example, defined less than 20% of the IT budget as total insourcing. It was found that 30% (n=19) of respondents to the Survey described this as the scope of their sourcing decisions (Lacity & Willcocks 2000); the question is whether the organisations actually considered some of that spend as being on outsourcing. At face value, it would seem that there is a shift in sourcing strategy when comparing Lacity & Willcocks (2000) with the survey carried out as part of this research with selective sourcing becoming more prevalent. What is not known is whether it is a shift in the perception of what constitutes outsourcing or the lack of granularity for the scope of outsourcing in the survey instruments themselves.

The categories used to group the level of outsourcing within an organisation clearly have to be revised; perhaps even to the level of how outsourcing itself is defined. The original definition of outsourcing used in this thesis used was,

“... the significant contribution by external vendors in the physical and/or human resources associated with the entire or specific components of the IT infrastructure in the user organisation.” (Loh and Venkatraman 1992a, p9)

However, what can be considered a ‘significant contribution’? Would a vendor be considered as making a significant contribution if they represented 15%, 25%, 50% or 75% of the IT budget? The contribution cannot be decided on IT budget alone, it also has to be judged in terms of the impact on the whole business organisation. Again, the focus returns to the idea of IT being seen either as a commodity or as strategic.

Although Table 6.6 represents the sourcing decisions taken by those organisations that responded to the survey, the number of responses (n=69) is too small to be able to say that it is representative of the UK IT sourcing market. For back-sourcing, Lacity & Willcocks (2000) found that 20% (n=4) of respondents within the UK that

had cancelled outsourcing contracts elected to bring the function back in-house. Whitten & Leidner (2006) found the backsourcing rate at 34% (n=54) for their US based survey. For this research, backsourcing represented 19% (n=13), if this was extrapolated for the total invited to take part in the survey for this research, that would represent 150 organisations.

7.4.3 Is Backsourcing a Trend?

As early as 1998, Rudy Hirschheim stated that

"...there's an inexorable move toward backsourcing among companies that outsource. I think the trend is unmistakable." (Outsourcing-Center.com 1998)

Given the effort to outsource some or all of their IT, why would an organisation backsource? Dreyfuss & Scardino (2006) state that

"Insourcing after outsourcing is not a trend. It is most often a response to changes in business conditions, leadership or the organization." (p2)

This seems a little dismissive of backsourcing (termed insourcing here). It could also be argued that outsourcing was a 'response to changes in business conditions' (Baden-Fuller et al 2000). Does that mean that the rush to outsource post-Kodak (Loh & Venkatraman 1992b) was not a trend? Looking at the reasons for backsourcing identified by Dreyfuss & Scardino (2006) and found in the Survey, it is clear that it is a response to business conditions etc., but then again, the same can be said for outsourcing. The main influence not mentioned by Dreyfuss & Scardino (2006) is that of business strategy. Secondary research (McLaughlin & Peppard, 2006, Veltri et al (2006) and the Case Study seems to substantiate that backsourcing can be because of a shift in the view of IT to being a core competence. This represents a change in business strategy. Dreyfuss & Scardino (2006) also state that backsourcing often occurs because of a change in CEO. What needs to be considered is why the CEO was changed. In the case of ClientCo, it was a result of shareholder's perception of poor organisational performance.

Hirschheim (Outsourcing-Center 1998) specified that

"Our prediction is that backsourcing is one of the latest trends in the outsourcing arena. One might be tempted to say that outsourcing is like a pendulum. It started with companies developing their own IT departments, then it swung totally to an environment where the IT service was provided by an external party. The pendulum, I would contend, is now swinging back the other way."

The IT market has become more sophisticated since this statement by Hirschheim, as will be discussed in the next section. However, it would seem from the evidence of the Survey that back sourcing has been part of the IT sourcing landscape for a while & will continue to be so. Nevertheless, from the evidence of the Survey a caveat has to be stated. Of the 19% (n=13) that back sourced (Table 6.10), nine involved less than 20% of the total IT budget & four represented 20-80% of the IT budget.

Finally, Veltri et al (2008) indicated that back sourcing activity seemed to be limited to large high-profile deals. Evidence from the Survey seems to contradict this, perhaps because the smaller back sourcing deals are not subject to press releases or were not considered newsworthy – just ‘business as usual’. In fact, none of the Survey respondents back sourced to the extent of ClientCo in the Case Study.

7.5 The IT Sourcing Decision Process

The final research objective was to understand the sourcing decision process in terms of the decision makers, motives and influences. The decision-making process for outsourcing (Chapter 2) and back sourcing (Chapter 5 and earlier sections of this chapter) have already been discussed. The Case Study and the literature review seem to confirm that the reasons for outsourcing and back sourcing appear to be very similar, as is the case for those that choose to switch vendors. So, one question remains - what determines whether an organisation chooses to back source or just switch vendor?

7.5.1 Service Performance, Quality & Relationship

The split between ‘commodity’ and ‘strategic’ becomes important when looking at the service relationship with a vendor if the function or system is outsourced. If commodity, the service relationship is more likely to be maintained at a formal contractual level, controlled by the contract and Service Level Agreements. If strategic, literature indicates that the emphasis switches to a more informally controlled relationship with the vendor, using the flexibility of such a relationship to benefit both parties (but specifically the client, or so they hope!). Measuring such a relationship then becomes more complex, so the proposal of the SERV DYN

instrument to gauge the status of the relationship was proposed. This instrument emphasises the perception of the relationship from the client user perspective and, it is suggested, could act as an early indicator of service relationship issues before the relationship breaks down completely.

The results from the survey indicated that nearly 20% of respondents stated that their organisation had backsourced some of their IT in the last five years (Table 6.10), with strategy changes and lack of cost savings being given as the major reasons. For those that switched vendor, lack of cost savings and contract issues predominated. So, it would seem that a change of strategy, with the view that IT had been re-categorised as strategic, was a major factor in the backsourcing decision – a stance that was substantiated by the Case Study. The drivers for backsourcing have already been identified in the Case Study, specifically the CEO and the business recovery programme. However, also revealed in the Case Study by interviewees was that the perception that the outsourcing agreement was not delivering on what was required, with issues of trust being raised. Were there other issues in the relationship that contributed to the CEOs view?

7.5.2 Using SERVDYN as a Window on the Case Study

With SERVDYN used in the Survey as an instrument to ‘quantify’ the perception of service performance, quality and relationship, could it be applied to the Case Study retrospectively? Reflecting on the Case Study using the SERVDYN elements and statements provided an opportunity to shed light on the decision process for backsourcing. SERVDYN was not actually administered to the interviewees but it was possible to map some of the responses to SERVDYN statements. This mapping was completed in terms of whether the statement had a positive, neutral or negative effect on the ClientCo/VendorCo relationship. These have been summarized in Table 7.2.

Neutral was assigned either where there was no effect on the relationship or was not mentioned by the interviewees. A number of the assigned values need a little background perspective. Firstly, the statement rating of positive and negative for “*Accepts tasks enthusiastically*” has to be explained. *INT2* stated that VendorCo were

willing to accept all requirements from business users (a positive) but that these were accepted, whether right or wrong, because they were a revenue stream for VendorCo. This explains why the statements “*Challenges if necessary*” and “*Looks after our interests*” were also negative.

Element	Description	Statement	Relationship Effect
Potential Quality	<i>Ability - characteristics that influence the provider's ability to excel in both soft and hard qualities</i>	Have required personnel	Positive
		Have required facilities	Neutral
		Have required management philosophy	Negative
		Has a low personnel turnover	Neutral
Hard Process Quality	<i>Technical – what is being performed during the service process</i>	Stays in budgets	Negative
		Meets deadlines	Negative
		Looks at details	Neutral
		Understands our needs	Negative
Soft Process Quality	<i>Functional – how the service is performed during the service process</i>	Accepts tasks enthusiastically	Positive and Negative
		Listens to our problems	Neutral
		Open to suggestions/ideas	Negative
		Challenges if necessary	Negative
		Looks after our interests	Negative
Outcome Quality	<i>Contribution - the overall rating of the quality of the service as perceived by the client in light of any outside influences</i>	Reaches objectives	Negative
		Has a notable effect	Negative
		Contributes to our sales/image	Neutral
		Is creative	Neutral
		Is consistent with our strategy	Negative
Trust	<i>Trust – the client's evaluation of the way the provider acted during the performance of the hard and soft processes</i>	Have our best interests at heart	Negative
		No need to question their motives	Negative
		Important decisions are taken without us	Negative
		Job done right even without our input	Negative

Table 7.2 The SERVODYN Elements

Even a cursory look at Table 7.2 would seem to indicate why the decision was taken to alter the existing IT sourcing arrangements. With all the elements predominantly negative (14 out of 22 statements) and all the Trust statements negative, the breakdown of the relationship comes as no surprise.

Reviewing the contents of Table 6.15 (SERVDYN – Element Mean Rank by

Sourcing Activity), a pattern was noticed that may be meaningful. Taking the mean rank and converting it to a rank order within the four options gives rise to Table 7.3.

IT Sourcing	Potential Quality	Hard Process Quality	Soft Process Quality	Outcome Quality	Trust
	Order	Order	Order	Order	Order
In-house (N=17)	3	1	2	1	1
Outsourcing - Stayed (N=19)	4	4	4	4	4
Outsourcing - Switched (N=28)	2	3	3	3	3
Outsourcing - Backsourced (N=13)	1	2	1	2	2

Table 7.3 SERVODYN – Element Ordered Ranking by Sourcing Activity

What seems striking is that, apart from potential quality, the in-house or backsource options are rated in the first two places. Is this another indicator that backsourcing decisions are made on a basis other than that of service performance, quality and relationship?

It would seem that there may be a ‘chicken and egg’ situation here; was the decision made by the CEO of ClientCo because of, or in spite of, the service provided by VendorCo? Did perceived poor service shape the view of the CEO or was the perception there already, with poor service seen as a justification for the action taken.

7.5.3 SERVODYN & the Relationship Cycle

The experience cycle (Szmigin 1993) seems to offer an insight into the Client Co/Vendor Co agreement. Szmigin (1993) argues that as the clients’ experience of a service grows, so would their self-confidence in the use of it. As was articulated by (INT6) in the Case Study, one of the issues that became apparent was the different areas of the business became more and more sophisticated in terms of requirements for new systems. Although originally talking of such areas as legal services and market research, Szmigin (1993) makes a point that could easily transfer to IT in the light of the Client Co decision. Commenting on the use of

those services, Szmigin (1993), said that,

".....using such services on a regular basis may decide, after a certain level of experience has been reached, to end a long standing relationship and provide all or part of the service themselves by employing expert personnel...feeling confident that they now have the experience to do so." (p15)

As the cost of IT solutions increased over time, a number of areas within the ClientCo business started to go straight to suppliers with system requirements, sourcing those requirements outside the agreement with VendorCo (*INT1, INT2*).

Szmigin (1993) noted that quality issues will arise at some stage in a relationship and highlights a number of situations that can lead to changed hard/soft quality problems - the perception by the client of the service being offered, changes in top management or a change in company objectives being just three of them. This would seem to sum up the Case Study in a nutshell. ClientCo changed CEO and undertook a major regeneration program. As has already been established in Chapter 5, the CEO felt that the service being offered by Vendor Co was not in ClientCo's best interest (*INT2*), with *INT6* voicing the opinion that this view was *"...across the board"*.

The Relationship Cycle, proposed by Szmigin (1993), provides what could be an interesting insight. This looks at the relationship in terms of the relative expectations/satisfaction of each party to the agreement over time. It is argued that the expectations and satisfaction levels of each party in a relationship are rarely the same, the danger being that if the levels are too out of line it may result in the termination of the agreement. It would seem from the case study the relative expectations/satisfaction of ClientCo was in a different place to those of VendorCo. ClientCo were not happy in a number of areas - being able to implement strategy change, cost and control of IT being the three main areas. Was it this misalignment that contributed to the CEO's view that the outsourcing agreement was not in the best interests of ClientCo, leading to the decision to backsource?

7.5.4 Revisiting 'IT as Commodity' vs. 'IT as Strategic'

This brings the discussion back to the idea of "IT as Commodity" or "IT as Strategic". For ClientCo, the decision was taken to backsource the whole of IT as a unit. There was some discussion around leaving some of the IT functions in the outsourcing arena, but this was discounted at an early stage. Does this mean the IT was seen as strategic by ClientCo? The important issues were cost and control, these seem to align more with Porter's (1996) operational efficiencies argument, rather than a strategic improvement. It was clear that IT was seen as important in terms of recovery programme, but was it seen as strategic?

Moving on, it was clear in the case study that the strategic change within ClientCo was the driver for the start of the review process. ClientCo also saw IT as a 'black box'. Could it be the lack of sight meant that they could not distinguish between commodity and strategic IT; that ClientCo needed to backsource in order to work out what was strategic for the organisations recovery programme? This suggestion that IT, once seen as a commodity, may actually be a core function seems to have been confirmed in other organisations (McLaughlin & Peppard 2006). Lack of flexibility within the outsourcing contract also meant that ClientCo could not change IT Strategy without considerable cost within the outsourcing agreement, this was essentially what forced ClientCo into reviewing the agreement. During contract negotiation, it was clear that backsourcing IT was the cheapest long-term option (INT1, INT2).

Does the Strategic Diamond for IT (Figure 2.4) provide an insight into the strategic motive for IT backsourcing? There were a number of comments from interviewees (INT1, INT2) over the frustration of IT being seen as a 'black box'. It could be perceived that this lack of clarity on IT led to ClientCo not being able to clearly define the transformation and competitive IT functions and systems in business terms. This could lead to business inefficiency because of knowledge of system capabilities. This would have created a business-IT disconnect that would have become more visible because of ClientCo's desire to restructure the business.

From the survey and the case study results, it seems that the original Strategic

Diamond can be developed further. Looking at the classification of the IT functions in Table 2.13, it would appear that they can be divided into commodity or strategic and that this division apparently aligns with Porter's (1996) split between strategy and operational efficiencies. Figure 7.5 illustrates a possible re-conceptualisation of the original Strategic Diamond proposed by Edwards & Peppard (1997), with the two areas of the pyramid being split to highlight the focus of IT in relation to the functions and systems concerned.

Looking at Figure 7.5, it could be argued that the Infrastructure and Sustaining triangles are *IT as Commodity*. Whilst *Infrastructure* is clearly commodity, the *Sustaining* systems are those that may have been *Competitive* but the competition has caught up, or are systems that may be different to competitors but do not provide competitive advantage – application packages tailored specifically for the organisation would be an example. Although this tailoring would make the overall system unique, there would be sufficient suppliers in the marketplace with the necessary generic skills to make the systems 'commodity-like'. Essentially, both areas could be subject to an outsourcing agreement that would not require specialist knowledge on behalf of the vendor.

However, the move of a function or system from *Competitive* to *Sustaining* may not be the end of the story. Szmigin (1993) makes an interesting contribution to the Commodity vs. Strategic argument, pointing out that a system could move through what Mathur (1984) originally termed a transaction life cycle for the industrial products market. The implication is that a system could start as *Competitive* & move to *Sustaining*, but subsequently be repackaged with new or existing software. This augmentation could be perceived as facilitating a move in the strategic diamond between the *Sustaining* and *Competitive* triangles.

The nature of transformational systems also changes slightly. This could be better termed as transitional systems. *Transformational* systems (processes), as originally stipulated by Edwards & Peppard (1997), provide the future capabilities. The implication from Edwards & Peppard (1997) is that these are the competitive advantage of the future. Within the IT arena, however, this 'creation' of new

systems can be for a number of reasons and not necessarily just for competitive advantage. Systems to improve or streamline business processes, for example, would provide operational efficiencies.

The IT Functions & Systems Triangle (Figure 7.5) could also be seen as an alternative to the IT Portfolio proposed by Lacity et al (1996). The advantage of the IT Functions & Systems Triangle is that it clarifies the split of IT functions and systems in terms of their relevance to the business organisation as a whole. As part of the strategic review, for example, the business functions could be categorised along the lines of the IT Strategic Triangle, classifying business functions as infrastructure, transitional, sustaining and competitive. The IT functions and systems could then be mapped to the business functions and systems.

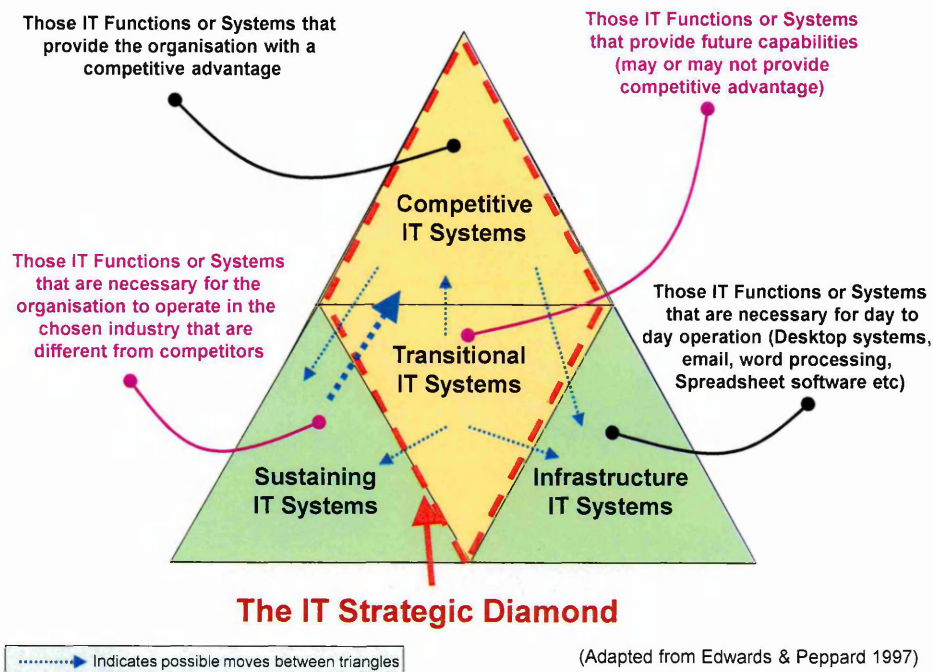


Figure 7.5 The IT Functions & Systems Triangle

There is also a possibility that a system that started out to provide operational efficiencies could actually end up as a competitive advantage – a classic case of an emergent strategy (Mintzberg et al 1998). It is also transitional because it is the move of an existing or new system to a new state and, at some stage, usually when the system 'goes live', will result in a change within the business organisation. This

change may be evolutionary or revolutionary in nature. However, there is also the possibility that the system does not come to fruition, as is the case with around 11% of all IT projects (El Emam & Koru 2008). What should be clear from the outset, however, is whether the transitional system is part of business strategy or operational efficiencies, and is therefore 'IT as Commodity' or 'IT as Strategic'.

One possible emergent property of the IT Functions & Systems Triangle is that it could be used to review the overall spend on IT. Is there too much expenditure on sustaining systems, do the Competitive systems really offer the expected competitive advantage and strategic benefits? A regular reassessment of these functions and systems and their categorisation should be treated as a key vindication for a system or function to continue as part of the IT organisation.

It would seem, given the change in business strategy to execute a recovery programme within ClientCo, that back sourcing might have been partly motivated by the desire to implement IT-enabled business change with

"...the ability to say that you want to go in a specific direction without having to debate and argue with a third party for the right to do so." (INT2)

This idea of IT-enabled business change seems to return us to one of the Strategies for Change (Table 2.2) proposed by Bloodgood and Salisbury (2001), that of 'Reconfigure with new resources'; the new resources this time being back sourced IT.

In summary, it is possible to set IT sourcing strategy using the IT Functions & Systems Triangle to categorise functions and systems, and then make a decision on the appropriate sourcing strategy dependent on whether the business drive is business strategy or operational efficiencies (using Porter 1996).

One of the conclusions from this study by the author is that total outsourcing is not a good option for a prudent organisation. Outsourcing agreements generally last over 5 years (as evidenced in Chapter 2) and, as it was for ClientCo, this removes flexibility should wider business issues, such as non-competitiveness, need to be addressed.

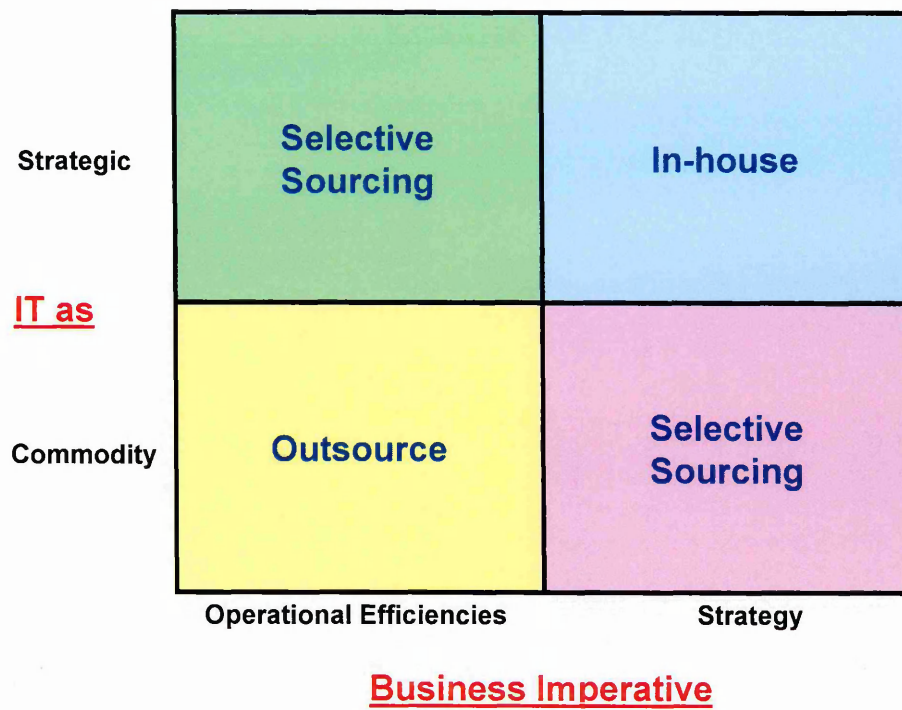


Figure 7.6 The IT Sourcing Strategy

7.6 Reviewing & Evaluating the Research Approach

It is important to review and evaluate the success or otherwise of the research process holistically. Whether the research objectives were met is reviewed in Chapter 8.

7.6.1 Case Study - Lessons Learned

Although the Case Study interview process went well, it was clear that further interviews with key participants in the backsourcing process would have enhanced the validity of the research further. Firstly, within ClientCo, the issue was identifying potential participants who had the requisite knowledge of the backsourcing process. A number of people were available that had transitioned from VendorCo, but it was clear from the interviews already held with this group that, although senior within VendorCo, they did not have 'inside' knowledge of the decision and transition issues identified by the ClientCo Project Team. Those at VendorCo at such a level during the transition moved back to VendorCo once the transition was complete, part of the "cherry-picking" process mentioned in

Chapter 5. With no access to VendorCo staff at the time of the research, it has to be acknowledged that only one side of the story is being portrayed in this research.

To balance the issue of 'one-sidedness' in terms of views, it must be acknowledged that the researcher was one of the members of staff that had been outsourced originally to VendorCo, and then backsourced five or so years later. Gummesson (2000) believes that the number one challenge for a researcher is "...access to reality" (p14). It is questionable whether the access granted to the researcher would have been allowed to an 'outsider'. The researcher also has an in-depth pre-understanding (Gummesson 2000) of the organisation and its culture, both from a ClientCo and VendorCo perspective having worked for both.

Unsurprisingly, issues arose during the interview process, the main one of which was the perceived power imbalance between the researcher and the senior members of management interviewed as part of the research process.

"Clarke (1995) states that power relations always exist in research situations and have the potential to influence subjects. The specific power issues must be identified and their likely effects evaluated in every research situation, particularly in insider research." (Hewitt-Taylor 2002, p35)

In one particular interview, this resulted in rather terse answers to the first few questions, so a more 'open discussion' approach was adopted until the interviewee opened up by answering more fully.

Kvale (1996) proposed two contrasting metaphors to describe the interview process: 'interviewer as a miner' and 'interviewer as a traveller'. The miner unearths facts or seeks out nuggets of information to be quantified or understood in the context of the real world. The traveller, on the other hand, takes a journey on which discovery takes place through talking to people. This dialogue is transcribed as stories and remoulded as new narratives via the traveller's interpretations. It would seem that for this thesis, the research was a miner and traveller at different times within the Case Study; a miner in the initial interview questions, with follow-up questions and conversation taking the guise of the traveller. One way to perhaps set this in context was that the 'what' questions were as a miner, with the 'why' questions as a traveller – the context of decisions and actions were just as

important as the decisions and actions themselves.

7.6.2 Assessing the Survey

For a web based online survey, it is very easy for a respondent to exit the survey before completion; the 'exit door' is just one click away! Because of this, an online survey is just as likely to suffer from non-response as a paper-based survey (Sue & Ritter 2007). For a paper-based survey, a respondent can look through the whole survey and decide whether they wish to answer the questions. For a web-based survey, they are shown a set of questions (or only one depending on the design) at a time and would not see 'what is coming'. Given the 'one click away from exit' nature of an online survey, it is very easy for a respondent to exit a survey if they do not like the next question or set of questions. Although question non-response is more likely in paper-based surveys because you can enforce answers online (Sue & Ritter 2007), carrying this out may put the respondent in the position of answering a question they do not like or just exiting the survey altogether. For this research, exiting the survey occurred 12 out of the 81 that started the survey, just under 15%. One potential respondent entered the respondent key and exited on the first question.

Benamati & Rajkumar (2008)

"A limitation of this study is the low response rate, 5.33% of the executive decision makers surveyed. Response rates in surveys of executive level individuals are often low due to the numerous demands on their time." (p95)

Cycyota & Harrison (2006), in a study of response rates found in journals published between 1992 and 2003, noted that the response rates to surveys sent to top managers declined steadily over time. Cycyota & Harrison (2006) also found that targeting CEOs was less effective as their mail and email was often screened by assistants and would often not be seen by the CEO themselves. However,

"We found that surveys that appealed to the right person in the organization and about a topic of importance to the industry, of current interest, and with potential changes to the organization received higher responses in executive populations." (Cycyota & Harrison 2006, p146)

Given the targeting of the appropriate respondent (via the use of the Computing mi database) and the relevance of the subject matter, the low response rate came as

a surprise. One of the potential respondents actually went to the trouble of sending a letter to explain why they were not going to respond to the survey, citing time constraints!

Following up the initial survey invitation with a reminder a few weeks later is an often-used technique (Dillman 2007, Sue & Ritter 2007). However, one of the conditions of use for the Computing mi database was a 'one contact only' restriction. This meant that a follow-up was not permitted. At the time, this was not thought to be a major restriction by the researcher. However, with follow-ups often resulting in another half of the original response (Sue & Ritter 2007) this could have made a significant difference to the validity of this stage of the research.

It would seem that the 80/20 split used to categorise outsourcing as 'little or no' 'selective' or 'total' outsourcing was insufficiently granular. Although this categorisation has been used in a number of other studies (Lacity & Willcocks 1998, Lacity & Willcocks 2000, Lee et al 2004), the move in the outsourcing market towards selective outsourcing (Brooks 2006). Goo et al (2007) used eight categories for average annual contract amount with the vendor as a percentage of the total IS budget. This seemed to swing too far to the other extreme. One of the categories, for example, was 'from 3% to less than 7%'; the issue being that the respondent would have to know the annual IS budget and the value of the vendor contract. A scale of, perhaps, 5% or less, 6-20%, 21-50%, 51-90% and more than 90% may be an approach for any future research.

7.6.3 Reviewing the SERVDYN Instrument

SERVDYN as an instrument was used as a 'window on IT sourcing', looking at a specific outsourcing relationship. A number of the results in Table 6.15 and the unsupported hypotheses (Table 6.16) seem to run contrary to the findings of Whitten & Leidner (2006). It would seem, on face value, that SERVDYN could not be used as an indicator of IT sourcing intent. However, for this research, SERVDYN was only answered by a small response set – 13 in the case of those that backsourced, and was only a 'snapshot' i.e. completed just the once. To test the

validity of SERVVDYN it is necessary to carry out further research.

So, has SERVVDYN actually accomplished anything? Looking at the IT Sourcing Cycle (Figure 3.2), administering SERVVDYN at various stages in the Cycle may lead to a clearer picture of IT sourcing intent. Additionally, SERVVDYN can be used whatever the sourcing strategy within an organisation, be it total in-house, selective sourcing or total outsourcing. In a selective sourcing environment, it has the flexibility to be applied to each vendor, providing a pluralistic not a unitary view of IT sourcing. It could be used as a 'window on outsourcing', a way to compare the service performance, quality and relationship of multiple vendors on a comparative scale.

It is proposed that SERVVDYN should be used as an extension of the standard contract management and due diligence process; organisations would carry out as part of their outsourcing contract management. SERVVDYNs generally subjective nature could help to plug gaps identified in earlier Chapters concerning incomplete contracts and SLAs (Alborz et al 2003, Ho et al 2003). If completed at regular intervals throughout an outsourcing agreement to track how the SERVVDYN element change over time, mapping these against the relationship lifecycle proposed by Szmigin (1993) and the outsourcing lifecycle suggested by Cullen et al (2006)

Finally, is SERVVDYN affected by the perception of IT as either 'strategic' or 'commodity'? Such a perception could affect how the SERVVDYN elements are viewed in terms of importance. For example, if an IT function or system was viewed as 'IT as Commodity', service delivery aspect would be seen as more important than whether the vendor 'adds to the bottom line' via Outcome Quality. The motivation for outsourcing would undoubtedly be to achieve operational efficiencies, so adherence to contract and SLAs would predominate in terms of service management. For 'IT as Strategic', Outcome Quality becomes more important, as does Trust. Strategic agreements as often less stringent to allow for changing circumstances (Quelin & Duhamel 2003), being able measure Outcome Quality and Trust over time provides a method of tracking the less tangible

aspects of the service relationship.

7.6.4 Research Limitations

There are a number of limitations within the research carried out that became apparent, some that were addressed as part of the research process and others that have to be acknowledged as limitations that could be addressed in further research. The latter will be covered predominantly in Section 8.4.

A major piece of the jigsaw missing was the views of those that remained with VendorCo after the transition was completed. This was acknowledged as a weakness as part of the discussion on the Case Study methods in Chapter 4. An attempt was made to balance the observations of the interviewees by selecting senior management from the project team responsible for bringing ClientCo's IT back in-house and these that worked for VendorCo that transitioned back to ClientCo. However, it is clear that access to VendorCo interviewees would have enriched the research process significantly. Given the level of animosity between ClientCo and VendorCo that became apparent during the ClientCo interviews, it is not surprising that such co-operation was not forthcoming.

Completing the Case Study interviews a year or so after the back-sourcing process had been concluded allowed the interviewees to reflect on the process without being too long ago for thoughts and opinions of the process to be forgotten. This approach had two advantages. Firstly, the animosity that clearly developed between ClientCo and VendorCo may have clouded the views of the interviewees had the exercise been completed during or just after completion of the back-sourcing process. Secondly, the one-year gap allowed for meaningful commentary on the progress of the Operation stage of the IT Sourcing Cycle. Such data may not have been available had the research process been carried out earlier. However, it must be acknowledged that this phase of the research, like the survey, represents the observations of the interviewees at a particular moment in time. Completing the research as a longitudinal study with multiple interview points may have been an alternative approach, although negotiating such access in a commercial environment may have been very difficult.

Finally, the Case Study was completed within only one organisation where the reasons for back-sourcing became very clear. Carrying out a similar exercise in a number of organisations would contribute greatly to the validity of the findings of the research.

The usefulness of the Survey was restricted by the low response and a number of improvements for future surveys have been identified in Table 7.4.

Number	Issue	Resolution
1.	For those that had in-house, no opportunity to rank outsourced (check wording on survey). For those that outsourced, no opportunity to rank any in-housed provision.	Change order of section presentation so that those with outsourcing have the opportunity to complete an in-house section as well
2.	Ambiguity of job titles – did the respondents have the prerequisite knowledge to answer the questions?	Potential respondents were asked to pass the survey invite to a more appropriate colleague if necessary – no way of tracing if this was the case.
3.	Convolutd method used for online survey – did this put respondents off?	The survey was large and took around 15 minutes to complete
4.	Inability to follow up initial invite with a reminder would have affected the number of responses adversely – computing MI restrictions!	Additional data sources for sample required
5.	Addition of questions on the length of the relationship	Gives some idea of where in the relationship cycle they are positioned, with higher mean ranks being attributed to a newly formed relationship
6.	Clear that most respondents had some in-house IT would have been useful to ask “do you have in-house” before the question “have you outsourced” – this would have given a more complete comparison of in-house vs. outsourced	Same as Issue 1.
7.	What about sending survey to senior business executives rather than just IT execs	Provides an outsider; view of the IT function as may help to offset self-justifying answers.

Table 7.4 Identified Survey Issues

7.7 Summary

The findings from the research seem to show that the IT Sourcing Cycle is valid and the framework it provided helped to structure the empirical research process.

The re-conceptualisation of the Strategic Triangle proposed by Edwards & Peppard (1997) may resolve one of the problem areas in outsourcing identified in

Chapter 2, i.e. “one man’s strategic is another man’s commodity”. The IT Functions & Systems Triangle (Figure 7.5) could be used within any organisation to classify the IT functions and systems. The sustaining systems (required to compete within a chosen industry) create a pointer to the areas that are more likely to create competitive advantage. Bloodgood & Salisbury (2001) advocated that to ‘reconfigure with new resources’ provides an opportunity for strategic improvements in terms of a move towards the creation of a core competence – re-platforming or upgrading a sustaining system could be seen as such a move.

Systems and functions that are categorised as competitive are those that contribute to the core competences of the organisation. These should therefore not be considered for outsourcing. The loss of control over such systems can lead to lack of flexibility and the ability to change business strategy in the future.

It would seem that the breakdown of the outsourcing agreement between ClientCo and VendorCo was almost inevitable from the start. Cullen et al (2005) identified that one of the risks of a total outsourcing agreement is a loss of control that can be addressed by relationship management. The abdication of control by ClientCo over IT at the outset of the outsourcing agreement, and a poorly drafted agreement that was considered “naive” (*INT2*), created a relationship management vacuum that VendorCo seemed to take advantage of. Could this situation have been predicted? Completing SERVVDYN retrospectively based on the responses from interviewees seemed to show the areas for concern, although use of SERVVDYN in the Survey for such predictions proved inconclusive at best.

The Survey did seem to illustrate that backsourcing is an actively considered as part of an organization's IT sourcing strategy, with outsourcing IT just one of the sourcing strategies within the IT Sourcing Cycle.

The final Chapter looks at the overall effectiveness of the research and covers the contribution to knowledge made by this research.

8 Conclusion

This Chapter reviews the effectiveness of the research approach against the original research objectives. The contribution to knowledge is discussed, followed by the limitations of the research. Finally, the areas for further research are identified, concluded with the final thoughts of the researcher.

8.1 Reviewing the Research Objectives

The initial aim of the research was provided an understanding of an organisation's IT sourcing decisions, specifically looking at the areas of outsourcing and backsourcing, with a view to bringing further understanding in the area of backsourcing as an IT phenomenon. This section discusses how the research objectives were met and identifies the specific conclusions that have been developed.

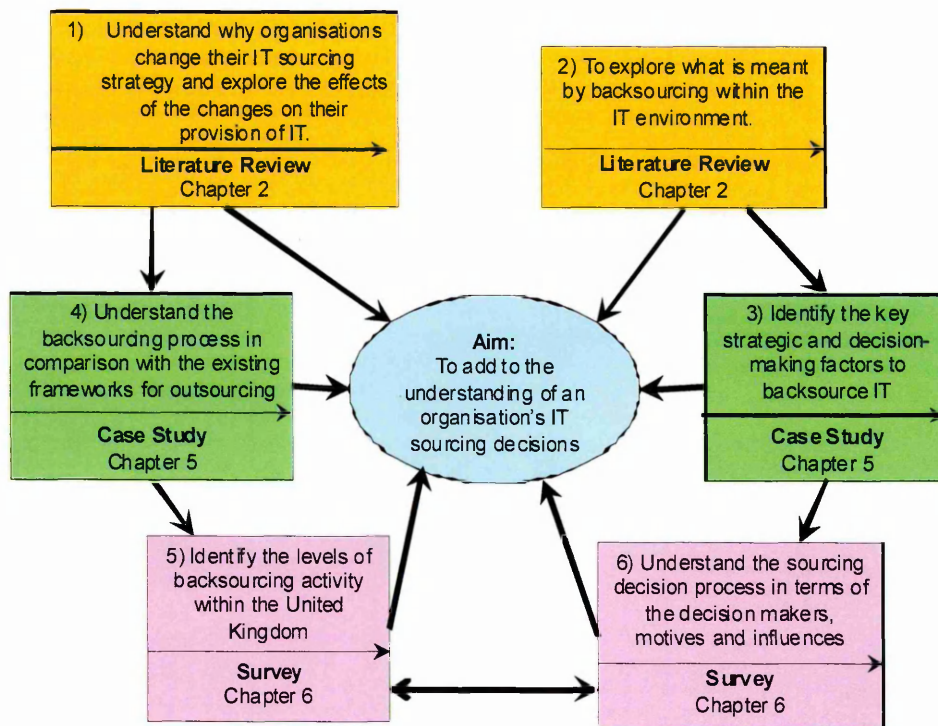


Figure 8.1 Research Aim and Objectives

Research Objective 1

To understand why organisations change their IT sourcing strategy and explore the effects of the changes on their provision of IT.

The influence on IT Sourcing strategy, specific business strategy and organisational change, were reviewed in Chapter 2. This appeared to show that, in process terms, Business Strategy provides the “What” and IT Strategy provides the “How”. The change process then dictates the “Who”, “Where” and “When”. The reasons given in the literature for outsourcing were reviewed and grouped using the classification proposed by Porter (1996), where organisational change is considered to be for one of two reasons - strategy or organisational efficiencies.

Through the adaptation and application of the Strategic Diamond (Edwards & Peppard 1997), it was concluded that IT functions and systems could be classified as either ‘Commodity’ or ‘Strategic’. This led to the proposition that only the Application Systems Development as a function, and some of the systems created by this function, could be classed as truly ‘Strategic’. The classification arising from the Strategic Diamond was used in later Chapters to guide the phases of the sourcing process.

Research Objective 2

To explore what is meant by back sourcing within the IT environment.

To understand the meaning of back sourcing, the literature was examined, initially looking at the meaning of the term insourcing, in Chapter 2. Insourcing had been used in the United Kingdom to mean bringing outsourced IT back in-house. It became clear that insourcing had different meanings in different countries. Consequently, a taxonomy of insourcing was developed. As a result, and to avoid ambiguity, back sourcing was adopted as the term to describe the process of bringing outsourced IT back in-house.

To facilitate the comparison between the outsourcing and back sourcing processes,

the IT Sourcing Cycle was developed in Chapter 3 using outsourcing literature. The Cycle was then validated through its application against the back sourcing process and its resemblance to change models (Lewin 1951), along with the influence of business strategy on IT strategy and change.

The IT Sourcing Decision Framework was proposed as an extension to a previously proposed framework for outsourcing (Kremic et al 2006) using a classification proposed by Porter (1996). The IT Sourcing Cycle appears to be valid for any starting point on the IT Sourcing Decision Framework.

Research Objective 3

To identify the key strategic and decision-making factors to backsource IT, and to contrast these with the outsourcing process.

The key strategic and decision making factors for back sourcing were identified as part of the literature review in Chapter 2 and validated via the Case Study results in Chapter 5. These were also further explored as part of the Survey detailed in Chapter 6. The stated reasons for back sourcing reviewed in Chapter 2 and given as part of the 'official' reasons in the Case Study seemed to be very similar, although it became evident in the Case Study that the decision was due to a change of CEO. This led to a review of the organisation and a change in business strategy that had a knock-on effect on IT strategy and the decision to backsource.

Research Objective 4

To understand the back sourcing process in comparison with the existing frameworks for IT outsourcing.

The IT Sourcing Cycle was used as a framework to explore the back sourcing process and the phases of Decision, Transition and Operation were validated as part of the Case Study in Chapter 5 against the same phases proposed for outsourcing as part of the IT sourcing process review in Chapter 3. These were further explored and validated as part of Chapter 5 covering the Case Study. The back sourcing process, in terms of phases, was seen to be the same as outsourcing.

The difference was seen to be the starting point with IT in-house, outsourced or a mixture of both.

Research Objective 5

To identify the levels of backsourcing activity within the United Kingdom.

The Survey detailed in Chapter 6 was used to identify the levels of backsourcing activity within the United Kingdom. However, the low response rate meant that no valid conclusions could be drawn on the levels of backsourcing. The categorisation by Lacity & Willcocks (1998) used in the survey, that 20% or less of the IT budget constitutes little or no outsourcing, did not seem to be sufficiently granular. Half of the respondents in the Survey stated that their outsourcing level came into this category. As a result, any attempt to gauge the real level of backsourcing within the UK would require further investigation with an improved scale distribution. The literature review showed a tendency to concentrate on the large backsourcing processes (McLaughlin & Peppard 2006, Veltri et al 2008), noting that there were only a few of them. However, the number of respondents whose organisation had carried out a level of backsourcing could not be dismissed as irrelevant in the IT sourcing market.

Research Objective 6

To understand the IT Sourcing decision process in terms of the decision makers, motives and influences.

The Case Study and the Survey were used to investigate the IT sourcing decision process and attempted to validate against the findings of the literature review (Chapter 2) for outsourcing. The Case Study seems to indicate that the CEO was the most important influence on the decision making process, a position that was not entirely confirmed in the Survey.

The survey, detailed in Chapter 6, appeared to validate IT sourcing decision process in terms of the decision makers, motives and influences found by others (Apte et al 1997, Lacity & Willcocks 2000). It seemed to confirm that the starting

point (whether it be no outsourcing or a review of an existing agreement) for the Decision phase, as proposed by the IT Sourcing Cycle, made little difference to the Decision process itself. However, the small sample response negates any validity judgement. However, a number of the findings are similar to those of others who had looked at the outsourcing decision making factors (Apte et al 1997, Lacity & Willcocks 2000).

8.2 Contribution to Knowledge

Although the re-conceptualisation of the Strategic Diamond (Edwards & Peppard 1997) into the IT Functions & Systems Triangle (Figure 7.5) appeared to provide a framework that strengthened the IT Sourcing Cycle, it was not a contribution to knowledge as such. However, this research has contributed to knowledge in a number of areas. These will now be stated and elaborated upon.

Contribution 1 - Derivation & Validation of the IT Sourcing Cycle

A contribution to knowledge was made in the field of IT sourcing strategies and the decision making process. This took the form of the construction of the IT Sourcing Cycle based on the literature review and validation of the model based on empirical evidence from the Case Study, shedding light particularly in the somewhat neglected (in literature) Transition stage.

The IT Sourcing Cycle is applicable to all IT sourcing options, be it for an in-house review to introduce internal change, to outsource, switch vendors or backsource. This Cycle illustrates the simplicity of the IT sourcing process whilst emphasising the distinct stages completed by an organisation reviewing their IT sourcing provision.

Contribution 2 - Empirical Study of the Backsourcing Process

The Case study research presented in this thesis is one of the first to look at an instance of backsourcing from the perspective of the client using empirical data collected from those that carried out, or were heavily involved in, the backsourcing process. The Case Study represents an illustration of what really goes on 'under the covers' of such a process and sheds light on the backsourcing process, and

particularly the Transition phase, in a way not possible through secondary research. The latter is only able to comment on the information in the public domain, a point made by McLaughlin & Peppard (2006) and Veltri et al (2008). The researcher also had a 'pre-understanding' of the organisation involved and 'lived' the backsourcing process as an employee, having been subject to the backsourcing Transition. This research therefore provides insights for practice and future implementation not available previously from research, providing a depth and richness that would not have been available to an outside researcher.

Findings from the research during the Transition stage illustrated areas of interest and implications for practice that had been concealed, deliberately or otherwise, by the parties concerned in the Case Study.

8.3 Areas for Further Research

As with a research project there are a number of areas highlighted that warrant further investigation.

8.3.1 IT - Strategic or Commodity?

As has been illustrated throughout the research, the view that IT is seen as strategic or as a commodity has been subject of a heated debate since Carr (2003). The reality, from this research, would seem to be that the view of IT is 'in the eye of the beholder'.

The IT Functions & Systems Triangle (Figure 7.5) provided a framework that helped to strengthen the IT Sourcing Cycle through an understanding of how organisations can classify their IT functions and systems. However, can IT be as easily categorised as the IT Functions & Systems Triangle (Figure 7.5) would seem to suggest? Further research would seem to be required, examining organisations on how they would categorise these functions and systems within their organisation using the Triangle, and the perception of IT functions and systems as either commodity or strategic.

8.3.2 Refinement and Validation of SERVVDYN Instrument

The validity and reliability of the SERVVDYN instrument could not be confirmed from the research completed. As a result, SERVVDYN would need to be subjected to further research.

In retrospect, a key component of using SERVVDYN as a determinant of the IT sourcing decision would be the length of the sourcing relationship at the time of the survey completion. A logical extension, therefore, would seem to be the use of SERVVDYN at regular intervals to track how the values of the elements and statements change over time. Introducing statements in the Hard Process Quality and Soft Process Quality elements for adherence of Service Level Agreements is also considered a valuable addition, giving a subjective view on an otherwise objective area of service performance.

8.3.3 Selective Outsourcing Relationship Management

Kern & Blois (2002) noted a number of issues that became apparent in an outsourcing agreement where the Client outsourced to a number of different vendors – in essence a selective sourcing agreement. The downside of such an approach was the increase in transaction costs incurred as a result of dealing with multiple suppliers and the conflict that can arise between vendors when things go wrong (Kern & Blois 2002). With the move towards the selective model indicated by the survey results, it would seem that relationship management in a multiple vendor environment would be a fruitful area for further research.

One thing that became clear was the lack of research into the planning organisations perform during the decision stage. The Case Study illustrated that it was this lack of planning for the operation of the outsourcing agreement that contributed to the eventual breakdown and back-sourcing of IT. Although the decision to outsource may be seen as a strategic decision that affects IT, the repercussions of such an action on the rest of the organisation ‘left behind’ after outsourcing would seem to be an area for further research.

8.3.4 Longitudinal Study

Szmigin (1993), when discussing the relationship cycle, stated that the expectations of both parties and the satisfaction in the relationship is rarely in harmony,

"If the expectation and reality are too far apart the relationship is likely to founder unless one side is brought closer to the other." (Szmigin 1993, p17)

When a decision to switch vendors or backsource was taken, had the relationship between the client and the vendor broken down to the point of no return? The survey carried out for this research was just a 'point in time' after the event, be the decision stay, switch or backsource. To better understand how the client/vendor relationship changes over time, the SERVDYN instrument could be used as a 'relationship tracker'. It could be administered at set intervals to track changes in the SERVDYN element and statement values over time. The nature of the instrument is flexible enough to be employed at different levels - organisational, departmental and even project-by-project. Such a layered approach could lead to a better understanding of how/why/when the client vendor relationship broke down, or as an early warning mechanism of potential problems.

A longitudinal study within an organisation (or number of organisations) could assist significantly in the understanding of relationship management in terms of bringing a level of objectivity to a subjective area.

8.4 Final thoughts

It is interesting to note that outsourcing is one of those management techniques that appears to have reached its 'tipping point'. This may have been reached as early as 1993, with what Lacity & Hirschheim (1993) saw as a significant 'bandwagon effect' noted within the business sector. Gladwell (2000) advocated that 'something' could reach epidemic proportions, the 'something' observed, as part of this research is IT outsourcing. It has developed and evolved since the Kodak/IBM agreement in 1989, to the point where it has become part of mainstream management thinking. Adeleye et al (2004) believed that widespread outsourcing in Nigerian banks could be attributed to what they called "Everest Syndrome" - banks outsourced 'because it was there'. The practice was widespread & everyone else was doing it, so they joined in. This would seem to be

a clear illustration of Gladwells (2000) 'tipping point'. The question that arises is whether back sourcing will be considered in such a light in the future. The Survey results seem to indicate that is more prevalent than maybe was first thought – there only seemed to be a few 'big' cases because these were the only ones that received media attention.

One of the key findings of this research is a re-affirmation of the fluidity of IT sourcing. Businesses evolve and change constantly in response to their environment and the decisions of senior executives and IT as a key enabler (Davenport & Short 1990) has to do the same. If an outsourcing vendor provides IT, the contract has to be flexible enough to allow for the dynamic business environment. This is by no means an original statement. This was stated by Willcocks & Fitzgerald (1994), and re-iterated in similar studies (Currie & Willcocks 1998, Lacity & Willcocks 2000) over a number of years. The observation was that the same mistakes in IT sourcing decisions were being made by senior management time and time again (Willcocks & Fitzgerald 1994). Unless the lessons of past outsourcing mistakes are heeded, they will continue to happen in the future, be it outsourcing, switching vendors or back sourcing.

From a personal perspective, based on over 30 years in IT, it seems that this industry is still open to fads and fashion – new functions, ideas and systems come and go at a rapid rate. It is therefore no wonder that the less IT savvy CEOs and senior managers within organisations continue to make what appears to be the same mistakes over and over again. Different outsourcing vendors have diverse marketing techniques (Deloitte 2005) but, at the end of the day, they are all offering the same box in different wrapping. Like Schrödinger's Cat, you do not know if a decision to outsource is the right one until the 'outsourcing box' is opened.

If there is one overriding message on IT sourcing options and strategies it has to be,

"What has been will be again, what has been done will be done again; there is nothing new under the sun." (Ecclesiastes 1:9)

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10.1 Appendix 1: PhD RESEARCH PROPOSAL



Sheffield Hallam University

Graduate School of Computing & Management Sciences

PhD RESEARCH PROPOSAL

STUDENT: Nick Butler

COURSE: Doctor of Philosophy

Provisional Title: Insourcing IS/IT - making the decision to reverse the outsourcing process?

Introduction

Nick Butler has just completed an MSc in IT and Management. This was achieved with a distinction overall, finishing top of his graduating class. A study contrasting Business Process Re-engineering and Transformational Outsourcing was completed to fulfil the dissertation phase of the MSc.

Nick now wishes to 'complete' his studies by pursuing a PhD. This will be studied on a part time basis with Sheffield Hallam University and would be 'self-funded'. The PhD will take around five years to complete and this proposal is for a 'pilot study' that will form the first stage of the PhD.

Research background and objectives

Over the last twenty years or so the topic of Information Technology outsourcing has been one of the most debated areas of business change, not surprising when considering the value of business generated. In 2003 the value of awarded IT outsourcing contracts totalled \$119bn worldwide, an increase of 44% over 2002.

However, the rush to outsource may be changing. A number of companies in the last year or so, notably Prudential and Sainsbury's, have chosen to take back control of IT via insourcing and terminated the agreement with the outsourcer. This leads to a number questions:-

- How would you define 'insourcing'? A brief search on Google seemed to show that the description of what constitutes insourcing differs greatly.
- What are the reasons for insourcing (i.e. the business drivers) – are they the same as

- those advocated for outsourcing? Why was outsourcing deemed redundant?
- Is the insourcing process the same as the outsourcing process? What is different, what do they have in common?
- Is there a general trend towards insourcing? Is there a slowdown in the uptake of outsourcing?

The idea of insourcing as a business concept has only appeared in the last few years. So, the big question... 'Is insourcing merely outsourcing in reverse?'

The overall aim of the research is to investigate the properties and traits of insourcing and outsourcing, draw conclusions on their similarities and differences and indicate the circumstances in which insourcing may be an appropriate business intervention.

The objectives resulting from these aims are as follows;

- (1) To explore what is meant by insourcing within the IS/IT environment.
- (2) To identify the key decision-making factors to insource IS/IT and to contrast these with the outsourcing process.
- (3) To understand the insourcing process in comparison to the existing models of IS/IT outsourcing.
- (4) To develop and test a model of the insourcing process for an IS/IT environment.
- (5) To provide an explanation of and recommendations for the use and development of the model within the UK IS/IT environment.

The Case Study

It is proposed that research will be carried out in the form of a case study of the ClientCo insourcing process. The published work will NOT identify either ClientCo or VendorCo and will be written such that no identification is possible. No publication of results would take place for at least two years, further protecting the parties involved.

For this pilot, it is proposed that a case study of the ClientCo/VendorCo insourcing process is completed. This would involve a series of semi structured interviews;

- Each interview lasting no more than an hour.
- Six or so Senior personnel from ClientCo that were involved in the insourcing process.
- Questions covering the insourcing process and what each perceives as the attributes of a 'good or excellent' insourcing methodology, covering also the problems encountered (anticipated or otherwise) and the methods/solutions used.

This research covers a subject area that does not appear to have been studied academically before. An academic review of insourcing will attempt to remove the 'commercial hype' and focus on real business benefit.

10.2 Appendix 2: PhD Research Briefing



Sheffield Hallam University

Graduate School of Computing & Management Sciences

PhD RESEARCH BRIEFING

STUDENT: Nick Butler (IT Division - Service Implementation)

COURSE: Doctor of Philosophy

Provisional Title: Insourcing IS/IT - making the decision to reverse the outsourcing process?

Introduction

The proposed interview forms part of a 'pilot study' that will form the first stage of the study for a PhD and follows on from a Masters degree in IT and Management (Distinction) completed in November 2005.

Research background and objectives

Over the last twenty years or so the topic of Information Technology outsourcing has been one of the most debated areas of business change, not surprising when considering the value of business generated.

However, the rush to outsource may be changing. A number of companies in the last year or so, notably Prudential and Sainsbury's, have chosen to take back control of IT via insourcing and terminated the agreement with the outsourcer.

The idea of insourcing as a business concept has only appeared in the last few years. So, the big question... 'Is insourcing merely outsourcing in reverse?' The overall aim of the research is to investigate the properties and traits of insourcing and outsourcing, draw conclusions on their

similarities and differences and indicate the circumstances in which insourcing may be an appropriate business intervention.

The Pilot Study

It is proposed that an initial pilot study research will be carried out in the form of a case study of the ClientCo insourcing process. The published work will NOT identify either ClientCo or VendorCo and will be written such that no identification is possible. No publication of results would take place for at least two years, further protecting the parties involved.

For this case study, it is proposed that a case study of the ClientCo/VendorCo insourcing process is completed. This would involve a series of semi structured interviews;

- Each interview lasting no more than an hour and will be recorded, subject to agreement by the interviewee.
- Questions covering the insourcing decision and transition process, the problems encountered (anticipated or otherwise) and the methods/solutions used.

Studies of other organisation's insourcing processes will take place over the next two years or so, with another organisation already a possible source.

This research covers a subject area that does not appear to have been studied academically before. An academic review of insourcing will attempt to remove the 'commercial hype' and focus on real business benefit.

10.3 Appendix 3: Case Study – Semi-structured Interview Guide

Interview Guide

- Thank for agreeing to be interviewed.
- Ask for permission to record the interview (check that this request is made in the email confirming the details of the interview).
- The interview will take no more than an hour.
- Confidential
- Anonymous
- Feel free to ask questions
- Add anything you think is relevant
- Ask interviewees what they think are the reasons behind a decision; then ask them for the 'official' version.

Area	Questions	Notes
1. Introduction	I sent you an Executive Guide when we arranged the appointment for this interview. I hope you found some time to glance through it.	
	Could you summarize your position within the organisation.	
2. Decision	What do you think were the reasons for the review of the outsourcing agreement?	
	What were the 'official' reasons?	
	What other courses of action were considered? Why were they discounted?	
	What were seen as the benefits of taking the outsourced IT Division back 'in-house'?	
	What were the 'official' benefits?	
	At what level within the organisation was the decision taken to insource?	

Area	Questions	Notes
	What were considered as the risks of insourcing?	
3. Transition	What was done to mitigate the risks mentioned earlier?	
	What type of issues occurred that were not foreseen at the start of the transition?	
	What activities during the transition did you see as important to the success of the process?	
	How would you assess the transition from the outsourcer?	
	How was knowledge management issues and the possible loss of key workers mitigated?	
4. Operation	Were there any issues with resources after the transition was complete?	
	How were these resolved?	
	How is the IT Division seen within the organisation as a whole? (Culture?)	
	Who is seen as the gatekeeper to IT resources and how is the process managed?	
	What are the general aims of the IT Division going forwards?	
5. General	What were the factors considered to be critical to the success of the process?	
	How would you judge the success of the insourcing process?	
	If you had the chance, what would you do differently and why?	

Area	Questions	Notes
	Is there anything you think that is relevant to this research that has not been covered?	
	Can you think of anybody that may be able to add to this research process?	

End of Interview – thank you for your co-operation.

Interview Guidelines (taken from Bryman & Bell 2003 pp348-9)

- Check room available
- Try voice recording, make sure acoustics are OK
- Position furniture
- Position microphone close to interviewee but make sure it cannot be knocked

After the interview, make notes on

- How the interview went (was interviewee talkative, cooperative, nervous etc)
- Any other feelings about the interview (did it open up new avenues of interest)

10.4 Appendix 4: Survey Invitation to Potential Participants



Sheffield Hallam University

Cultural, Communication and Computing Research Group (CR3I)

c/o Student Support Team, Room 9104, Furnival Building,

153 Arundel Street, Sheffield. S1 2NU

«Title» «FirstName» «LastName»

«JobTitle»

«CompanyName»

«AddressLine1»

«AddressLine2»

«Town»

«County» «Postcode»

7th October, 2009.

«GreetingLine»

I am writing to request your help with a project forming part of my PhD research programme. The aim of the research is to evaluate organisational IT sourcing by conducting a survey of leading organisations within the United Kingdom, asking about their IT sourcing strategies.

I realise that your time is limited, but I hope that you will take just 10-15 minutes to participate in this brief web survey on behalf of your organisation. As an incentive, you will have the opportunity to request a copy of the final analysis and report that will provide an independent insight into IT sourcing within the UK.

To complete the survey online please go to the URL below, which will forward you to the SurveyMonkey website where the survey is hosted. Enter the password that appears at the bottom of this letter on the first screen and the respondent key

on the second screen to enter the survey.

If you have any problems with the URL link provided below, please send an e-mail to npbutler@my.shu.ac.uk and the link will be sent by return.

If you feel that someone else within your organisation is better placed to complete this survey, please pass this letter on to them.

Your answers will be completely confidential. Your respondent key will be used for tracking purposes only during response collection. You will need this randomized numeric code to complete the web survey, but once the survey has closed, the code will not be linked to your identifying information and your responses. Moreover, the results of the survey will be reported in a summary format and no responses will be identified individually. While your participation is voluntary, I very much hope that you will choose to take part and share your perspective. The survey closing date for responses is Friday 30th October, 2009.

Thank you in advance for your participation in this valuable project. If you have any questions about the administration of the survey, please contact Nick Butler via e-mail (npbutler@my.shu.ac.uk).

Yours sincerely,



Nick Butler

CR3I Doctoral Research Student

Web address: <http://research.shu.ac.uk/itsourcing>

Password: 7NgKx2Fy (the password is case sensitive)

Respondent key: «RandomID»

10.5 Appendix 5: Survey Questionnaire

IT Sourcing Survey 2009

1. Introduction

As part of a larger program to evaluate how organisations source their IT requirements, we are conducting a survey of leading UK organisations to ask about their IT sourcing strategies.

All responses will be treated as strictly confidential. Individual responses will not be identified in any subsequent report. If you would like a copy of the Analysis and report, please indicate at the end of the survey. Thank you in advance for your co-operation.

1. Please enter the Respondent key found at the bottom of the Survey Invitation letter

Respondent key: _____

2. About you

Please tell us a little about yourself.

2. Please select the job title that best describes your position within your organisation

- | | |
|--|--|
| <input type="radio"/> IT Director | <input type="radio"/> IT Senior Management |
| <input type="radio"/> Finance Director | <input type="radio"/> IT Middle Management |
| <input type="radio"/> Head of IT | |
| <input type="radio"/> Other (please specify) | |

3. Within your organisation do you have, or have you had in the last five years, an outsourcing contract with a third party for any of your Information Technology functions?

- ☐ Yes
- ☐ No

3. In-house IS/IT sourcing

The following questions will collect your views on your organisations in-house IS/IT services.

4. From the following list, please rate the importance of each statement in terms of why your organisation have kept your IS/IT functions in-house.

	1 - Not relevant	2 - Unimportant	3 - Neutral	4 - Important	5 - Very Important
IS/IT is seen as core business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
High level of in-house technical expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
In-house IS/IT seen as cost efficient	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inadequate supplier/market conditions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Synergy between business and IS/IT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of trust about supplier motivation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retain up-to-date technical expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Please list any additional reasons for keeping your IS/IT in-house below.

1. _____
2. _____
3. _____

4. In-house IS/IT sourcing

6. Using the following statements, please rate your perception of the quality of service delivered by your IS/IT department.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Have required personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have required facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has required management philosophy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a low personnel turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stays in budget	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Meets deadlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looks at details	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Understands our needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepts tasks enthusiastically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Listens to our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Open to suggestions/ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. In-house IS/IT sourcing

7. Using the following statements, please rate your perception of the quality of service delivered by your IS/IT department.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly Agree
Challenges if necessary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looks after our interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reaches objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a notable effect	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contributes to our sales/image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is creative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is consistent with our strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have our best interests at heart	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No need to question their motives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Important decisions are taken without us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job done right even without our input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

IT Sourcing Survey 2009

6. IS/IT Outsourcing

The following questions are designed to collect your views on your organisations IS/IT outsourcing services.

8. From the following list, please select the statement that best summarizes your organisations position on outsourcing.

- ☐ Minimal outsourcing (less than 20% of annual budget for IS/IT)
- ☐ Selective outsourcing (20 - 60% of annual budget for IS/IT)
- ☐ Total outsourcing (over 60% of IS/IT Annual budget)

9. From the following list of specific IS/IT functions, please select those areas that you currently have an outsourcing contract. Please select all that apply.

- | | |
|--|---|
| <input type="checkbox"/> Applications Development | <input type="checkbox"/> IS/IT Help Desk |
| <input type="checkbox"/> Applications Support & Maintenance | <input type="checkbox"/> Support operations (equipment maintenance/service) |
| <input type="checkbox"/> Data Centre Operations & Support | <input type="checkbox"/> Systems Support & Maintenance |
| <input type="checkbox"/> Desktop Support (PC support & software maintenance) | <input type="checkbox"/> Telecommunications/LAN |

Other (please specify)

Page 6

7. IS/IT Outsourcing

10. From the following list, please rate the importance of each statement in the decision to outsource some or all of your IS/IT.

	1 - Not relevant	2 - Not important	3 - Neutral	4 - Important	5 - Very Important
Cost reduction	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Focus on core capabilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Capital infusion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transfer fixed costs to variable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Greater flexibility	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Access to skills/expertise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality improvement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faster delivery of new systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Access to latest technology/infrastructure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Political reasons	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Improve accountability/management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

8. IS/IT Outsourcing

11. Were there any other reasons that contributed to the decision to outsource some or all of the organisations IS/IT?

1.
2.
3.

12. In the last five years have you reviewed any of your IS/IT outsourcing contracts? Please select all that apply.

- ☐ We have not reviewed any of our outsourcing contracts within the last five years
- ☐ We have reviewed our outsourcing contracts, but made no changes
- ☐ We have re-negotiated some or all of our outsourcing contracts during the term of the contract
- ☐ We have renewed some or all of our outsourcing contracts at the end of the contract

9. IS/IT Outsourcing

13. Who had the initial idea to explore the possibility of outsourcing all or part of IS/IT? Please select those that apply.

☐ Chief Executive Officer☐ Finance Director☐ IT Middle Management☐ Board of Directors☐ Head of IT☐ Don't know

Other (please specify): _____

14. For your currently outsourced IT functions, who made the final decision to outsource to the selected vendor/s. Please select those that apply.

☐ Chief Executive Officer☐ Finance Director☐ IT Middle Management☐ Board of Directors☐ Head of IT☐ Don't know

Other (please specify): _____

15. Was the exit strategy in your IS/IToutsourcing contract reviewed at regular intervals?

☐ Yes☐ Did not have an exit strategy☐ No☐ Don't know

10. IS/IT Outsourcing

16. Using the following statements, please rate your perception of the quality of service you receive from your outsourcing vendor/s.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Have required personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have required facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has required management philosophy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a low personnel turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stays in budgets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Meets deadlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looks at details	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Understands our needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepts tasks enthusiastically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cares to our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Open to suggestions/ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

11. IS/IT Outsourcing

17. Using the following statements, please rate your perception of the quality of service you receive from your outsourcing vendor/s.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Challenges if necessary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looks after our interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reaches objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a notable effect	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contributes to our sales/image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is creative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is consistent with our strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have our best interests at heart	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
No need to question their motives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Important decisions are taken without us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job done right even without our input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

12. Switching vendors?

18. Within the last five years, have you switched vendors for any of your outsourced IS/IT?

☐ **Yes**

☐ **No**

13. Bringing IS/IT back in-house

19. Within the last five years, have you brought any of your previously outsourced IS/IT back in-house?

☐ Yes

☐ No

14. IS/IT services - Switching Vendors

This section of the survey will collect your views on your decision to switch vendors.

20. From the following list, please select the statement that best summarizes the amount of IS/IT outsourcing activity that has been subject to a switch of vendor/s.

- ☐ Minimal (less than 20% of annual budget for IS/IT)
☐ Selective (20 - 60% of annual budget for IS/IT)
☐ Total (over 60% of IS/IT annual budget)

21. Who had the initial idea to explore the possibility of switching vendor/s? Please select all that apply.

- | | | |
|--|---|---|
| <input type="checkbox"/> Chief Executive Officer | <input type="checkbox"/> Finance Director | <input type="checkbox"/> IT Middle Management |
| <input type="checkbox"/> Board of Directors | <input type="checkbox"/> Head of IT | <input type="checkbox"/> Don't know |

Other (please specify):

Other (please specify):

15. IS/IT Services - Switching Vendors

22. Who made the final decision to switch vendor/s for some or all of your outsourced IT. Please select those that apply.

☐ Chief Executive Officer

☐ Finance Director

☐ IT Middle Management

☐ Board of Directors

☐ Head of IT

☐ Don't know

Other (please specify)

16. IS/IT Services - Switching Vendors

23. From the following list of specific Information Systems functions, please select those that you have switched vendor/s for an IS/IT outsourcing contract or have contracted to do so in the near future.

- | | |
|--|---|
| <input type="checkbox"/> Applications Development | <input type="checkbox"/> IT Help Desk |
| <input type="checkbox"/> Applications Support & Maintenance | <input type="checkbox"/> Support operations (equipment maintenance/service) |
| <input type="checkbox"/> Data Centre Operations & Support | <input type="checkbox"/> Systems Support & Maintenance |
| <input type="checkbox"/> Desktop Support (PC support & software maintenance) | <input type="checkbox"/> Telecommunications/LAN |

Other (please specify)

24. What other alternatives were considered as part of the outsourcing review process? Please select all that apply.

- | | |
|---|---|
| <input type="checkbox"/> Renewal with existing vendor/s | <input type="checkbox"/> No other alternatives considered |
| <input type="checkbox"/> Bringing the IS function back in house | |

Other (please specify)

17. IS/IT Services - Switching Vendors

25. From the following list of statements about your organisation, please rate the importance of each statement in the decision to switch vendors for some or all of your IS/IT.

	1 - Not Relevant	2 - Not Important	3 - Neutral	4 - Important	5 - Very Important
Change in organisation strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes within organisation (merger or acquisition)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outsourced systems did not keep track with technology change	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes within organisational Senior Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost savings did not materialise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contractual issues with vendor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

26. Were there any other reasons that contributed to the decision to switch vendors for some or all of the organisations IS/IT?

1. _____
2. _____
3. _____

18. IS/IT Services - Switching Vendors

27. Using the following statements, please rate your perception of the quality of service you received from the outsourcing vendor/s you switched from.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Had required personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had required facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had required management philosophy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had a low personnel turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stayed in budget	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Met deadlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looked at details	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Understood our needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted tasks enthusiastically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Listened to our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was open to suggestions/ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

19. IS/IT Services – Switching Vendors

28. Using the following statements, please rate your perception of the quality of service you received from the outsourcing vendor/s you switched from.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Challenged if necessary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looked after our interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reached objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had a notable effect	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contributed to our sales/image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was creative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was consistent with our strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had our best interests at heart	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There was no need to question their motives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Important decisions were taken without us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job done right even without our input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

20. Bringing IS/IT back in-house

29. Within the last five years, have you brought any of your previously outsourced IS/IT back in-house?

☐ Yes

☐ No

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21. IS/IT services - Bring outsourced IS/IT back in-house

This section of the survey will collect your views on the decision to bring some/all of your IS/IT back in-house.

30. From the following list, please select the statement that best summarizes the amount of outsourcing activity that has been brought back in-house

- ☐ Minimal (less than 20% of annual budget for IS/IT)
- ☐ Selective (20 - 80% of annual budget for IS/IT)
- ☐ Total (over 80% of IS/IT annual budget)

31. Who had the initial idea to explore the possibility of bringing the IT functions back in-house? Please select all that apply.

- | | | |
|--|---|---|
| <input type="checkbox"/> Chief Executive Officer | <input type="checkbox"/> Finance Director | <input type="checkbox"/> IT Middle Management |
| <input type="checkbox"/> Board of Directors | <input type="checkbox"/> Head of IT | <input type="checkbox"/> Don't know |

Other (please specify) _____

22. IS/IT services - Bring outsourced IS/IT back in-house (cont)

32. Who made the final decision to bring the IT functions back in-house?

Please select all that apply.

☐ Chief Executive Officer

☐ Finance Director

☐ IT Middle Management

☐ Board of Directors

☐ Head of IT

☐ Don't know

Other (please specify) _____

23. IS/IT services - Bring outsourced IS/IT back in-house

33. From the following list of specific Information Systems functions, please select those that you have brought back in-house or have contracted to do so in the near future

- | | |
|--|---|
| <input type="checkbox"/> Applications Development | <input type="checkbox"/> IT Help Desk |
| <input type="checkbox"/> Applications Support & Maintenance | <input type="checkbox"/> Support operations (equipment maintenance/service) |
| <input type="checkbox"/> Data Centre Operations & Support | <input type="checkbox"/> Systems Support & Maintenance |
| <input type="checkbox"/> Desktop Support (PC support & software maintenance) | <input type="checkbox"/> Telecommunications/LAN |

Other (please specify)

34. What other alternatives were considered as part of the outsourcing review process? Please select all that apply.

- | | |
|--|---|
| <input type="checkbox"/> Renewal with existing provider/s | <input type="checkbox"/> No other alternatives considered |
| <input type="checkbox"/> Switch to an alternative provider | |

Other (please specify)

24. IS/IT services - Bring outsourced IS/IT back in-house

35. What were seen as the biggest risks when making the decision to bring some or all of your outsourced IS/IT back in-house? Please rate the importance of each statement.

	1 - Not relevant	2 - Not important	3 - Neutral	4 - Important	5 - Very important
Loss of senior management and/or key staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of knowledge of the process to bring IS/IT back in-house	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Deterioration of relationship with the vendor	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loss of IT technical knowledge	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of in-house IT management experience	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Transference of vendor contracts with third parties	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Disruption to business operations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

36. Were there any other risks when considering the decision to bring back in-house some or all of the organisations IS/IT?

1. _____
2. _____
3. _____

25. IS/IT services - Bring ousourced IS/IT back in-house

37. From the following list, please rate the importance of each statement in the decision to bring back in-house for some or all of your IS/IT.

	1 - Not relevant	2 - Not important	3 - Neutral	4 - Important	5 - Very important
Lack of viability of IT - desire to regain control	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in role - IT now seen as strategic to the organisation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Vendor failure to achieve specific objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in organisation strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes within organisation (merger or acquisition)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outsourced systems did not keep track with technology change	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Changes within organisational Senior Management	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cost savings did not materialise	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

38. Were there any other reasons that contributed to the decision to bring back in-house the organisations IS/IT?

1. _____
2. _____
3. _____

26. IS/IT services - Bring outsourced IS/IT back in-house

39. Using the following statements, please rate the quality of service you received from the IS/IT outsourcing vendor/s you 'in-housed' from.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Had required personnel	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had required facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had required management philosophy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had a low personnel turnover	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stayed in budgets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Met deadlines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looked at details	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Understood our needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Accepted tasks enthusiastically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Listened to our problems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was open to suggestions/ideas	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

27. IS/IT services - Bring outsourced IS/IT back in-house

40. Using the following statements, please rate the quality of service you received from the IS/IT outsourcing vendor/s you 'in-housed' from.

Rate your answers on a scale of 1 - 7 with 1 being 'Strongly disagree' and 7 being 'Strongly agree'.

	1 - Strongly disagree	2	3	4	5	6	7 - Strongly agree
Challenged if necessary	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Looked after our interests	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reached objectives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had a notable effect	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Contributed to our sales/image	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was creative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Was consistent with our strategy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Had our best interests at heart	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
There was no need to question their motives	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Important decisions were taken without us	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Job done right even without our input	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

28. About your organisation

And finally, some information about your organisation...

41. Please give an indication of the number of employees in total that work within your organisation

- | | | |
|----------------------------------|-----------------------------------|---------------------------------|
| <input type="radio"/> < 250 | <input type="radio"/> 1001 - 2000 | <input type="radio"/> Not known |
| <input type="radio"/> 251 - 500 | <input type="radio"/> 2001 - 5000 | |
| <input type="radio"/> 501 - 1000 | <input type="radio"/> > 5000 | |

42. Please give an indication of the overall turnover of your organisation

- | | | |
|---|--|---------------------------------|
| <input type="radio"/> Less than £50 million | <input type="radio"/> £251 - £500 million | <input type="radio"/> Not known |
| <input type="radio"/> £51 - £100 million | <input type="radio"/> £501 - £1000 million | |
| <input type="radio"/> £101 - £250 million | <input type="radio"/> Greater than £1000 million | |

29. ...and your IT organisation.

43. Please give an indication of the number of employees that work within the IS/IT area in your organisation.

- | | | |
|---------------------------------|----------------------------------|---------------------------------|
| <input type="radio"/> 1 - 50 | <input type="radio"/> 251 - 500 | <input type="radio"/> Not known |
| <input type="radio"/> 51 - 100 | <input type="radio"/> 501 - 1000 | |
| <input type="radio"/> 101 - 250 | <input type="radio"/> > 1000 | |

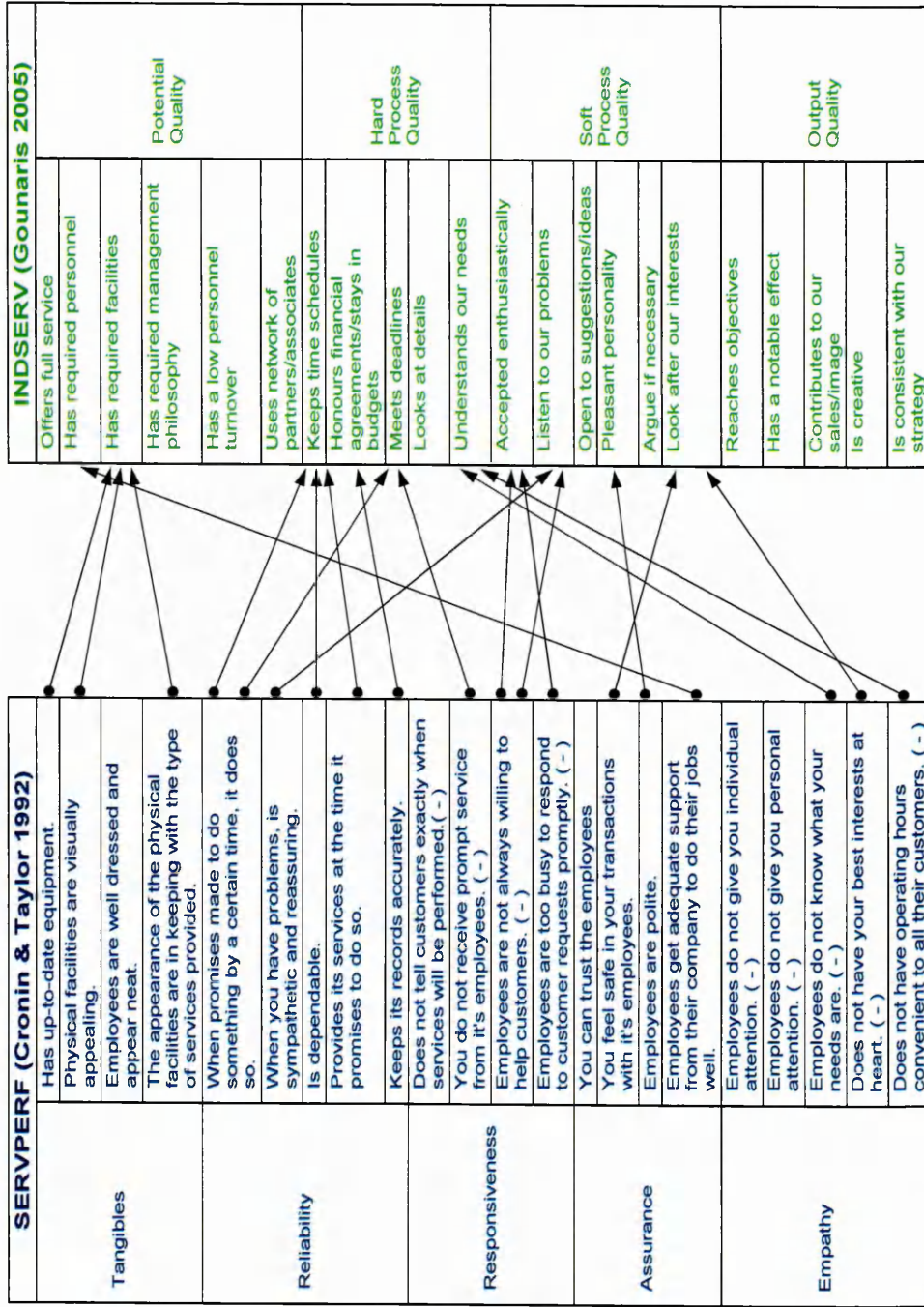
44. Please give an indication of your organisations overall IS/IT budget.

- | | | |
|--|---|---------------------------------|
| <input type="radio"/> Under £1 million | <input type="radio"/> £21 - 50 million | <input type="radio"/> Not known |
| <input type="radio"/> £1 - 10 million | <input type="radio"/> £51 - 100 million | |
| <input type="radio"/> £11 - 20 million | <input type="radio"/> Greater than £100 million | |

45. Would you like to receive a summary report of this survey? Just to re-iterate, no individual responses will be identified as part of the analysis and report.

- | | |
|---------------------------|--------------------------|
| <input type="radio"/> Yes | <input type="radio"/> No |
|---------------------------|--------------------------|

10.6 Appendix 7: SERVPERF-INDSERV Statement Mapping



10.7 Appendix 8: Comparing Cullen et al (2006) vs. IT Sourcing Cycle

PHASE	Building Block (BB)	Key Activity	IS/IT Sourcing Cycle Stage	Relevant for Backsourcing?
A R C H I T	BB1: Investigate	1. Gather insight via experts and experienced organizations	DECISION	YES
		2. Determine and test goals/expectations		NO
		3. Collect intelligence on market conditions and potential suppliers		NO
	BB2: Target	4. Investigate similar decisions and peer organizations		NO
		5. Match goals to appropriate outsourcing model		NO
		6. Identify, with objective criteria, suitable services to outsource		NO
		7. Prepare the 7 baseline and future state profiles: service, cost, asset, staff, stakeholder, current contracts, and governance		NO
	BB3: Strategize	8. Decide the rollout approach (big bang, phased, piecemeal)		NO
		9. Determine key "rules" (e.g. governing docs, # suppliers, asset ownership, risk/reward)		NO
		10. Design the detailed end-to-end lifecycle program/projects		NO
		11. Identify and source the lifecycle skills		YES
		12. Prepare the lifecycle communications strategy		YES
		13. Prepare the business case rules and the base case		YES
	BB4: Design	14. Assess feasibility, risk and impact to the organization		YES
		15. Prepare the commercial and operating blueprint		NO
		16. Develop the 4 balanced score metrics - service, financial, relationship and strategic		NO
		17. Draft the service level agreement - scope, metrics/incentives, reporting, & governance		NO

PHASE	Building Block (BB)	Key Activity	IS/IT Sourcing Cycle Stage	Relevant for Backsourcing?
E C T		18. Draft the price framework (fixed, variable and cost plus items)		NO
		19. Draft the contract considering the standard 90+ issues		NO
		20. Design the inter-party relationship (structure, roles, authorities, etc)		NO
		21. Design the retained organization (kept functions)		NO
		22. Design the contract management function (governance)		NO
		23. Plan and detail the tender stages		NO
E N G A G E	BB5: Select	24. Identify the right evaluation team - breadth and depth		NO
		25. Determine the right evaluation criteria and strategy for each tender stage		NO
		26. Request the right, clear and comprehensive bid data for each tender stage		NO
		27. Facilitate the best responses (briefings, Q&A, data room, tours, etc)		NO
		28. Use interactive evaluation techniques (interviews, site visits, etc)		NO
		29. Select supplier based on value for money		NO
		30. Conduct the 5 due diligences on supplier: company, price, solution, contract, and customer references		NO
		31. Prepare negotiation strategy and prioritize negotiation items		YES
		32. Conduct effective negotiations		YES
	BB6: Negotiate	33. Finalize and mobilize all plans (e.g. communications, risk, setup, acceptance)		YES
	BB7: Transition	34. Resource the transition project	TRANSITION	YES
		35. Manage the impact on staff (retained, transferring and departing)		YES
		36. Manage the transfers (staff, asset, 3rd party contracts, work-in-progress, etc)		YES
				YES

PHASE	Building Block (BB)	Key Activity	IS/IT Sourcing Cycle Stage	Relevant for Backsourcing?
O P E R A T I O N		37. Manage knowledge retention and transfer		YES
		38. Implement retained organization and contract management		NO
		39. Engineer workflows, communication channels, authorities, etc		YES
		40. Conduct acceptance, closeout and post-implementation review		YES
	BB8: Manage	41. Invest in the relationship (plan, assess and improve)	OPERATION	YES
		42. Meaningful reporting and analyses		YES
		43. Regular communication and meetings		YES
		44. Diligent documentation and administration		YES
		45. Manage risks and plan contingencies		YES
		46. Manage issues, variations and disputes		NO
		47. Effect continuous improvement and streamlining		YES
		48. Evaluate and audit supplier (controls, performance, compliance)		NO
		49. Evaluate organization both as a customer and contract manager		NO
		50. Assess next generation options (backsource, retain, handover)		NO
REGEN - ERATE	BB9: Refresh	51. Assess contract outcomes and lessons		NO
		52. Knowledge refreshment (e.g. market, technology, price, metrics)		NO
		53. Reassess requirements - re-scope, re-bundle and re-design		NO
		54. Determine the strategy and business case for each option		NO

10.8 Appendix 9: Reasons for Decision - Results

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
High level of in-house technical expertise	0	1	1	7	8
Synergy between business and IS/IT	1	0	3	4	9
In-house IS/IT seen as cost efficient	1	0	4	5	7
Retain up-to-date technical expertise	0	2	3	7	5
IS/IT is seen as core business	0	4	2	3	8
Inadequate supplier/market conditions	3	3	7	4	0
Lack of trust about supplier motivation	3	1	10	2	1

Table 8.5 Reasons for staying In-house

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Access to skills/expertise	2	2	5	19	24
Focus on core capabilities	4	1	6	28	13
Cost reduction	3	0	13	23	13
Quality improvement	4	3	11	24	10
Greater flexibility	5	4	10	28	5
Access to latest technology/infrastructure	7	8	15	20	2
Faster delivery of new systems	7	3	23	18	1
Improve accountability/management	10	5	18	16	3
Transfer fixed costs to variable	11	15	14	11	1
Capital infusion	14	12	18	8	0
Political reasons	22	7	18	4	1

Table 8.6 Reasons for outsourcing

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Changes within organisation (merger or acquisition)	7	3	4	12	2
Contractual issues with vendor	5	2	8	10	3
Cost savings did not materialise	9	0	9	5	5
Change in organisation strategy	11	4	4	6	3
Outsourced systems did not keep track with technology change	7	3	10	7	1
Changes within organisational senior management	12	3	7	6	0

Table 8.7 Reasons for switching vendors

Reason	Not relevant	Unimportant	Neutral	Important	Very Important
Cost savings did not materialise	2	1	2	5	3
Lack of visibility of IT – desire to regain control	2	0	4	7	0
Change in role – IT now seen as strategic to the organisation	4	0	3	4	2
Change in organisational strategy	4	0	4	3	2
Vendor failed to achieve specific objectives	3	1	6	2	1
Changes within organisational senior management	6	0	4	2	1
Changes within organisation (merger or acquisition)	6	1	4	2	0
Outsourced systems did not keep track with technology change	7	1	4	1	0

Table 8.8 Reasons for backsourcing